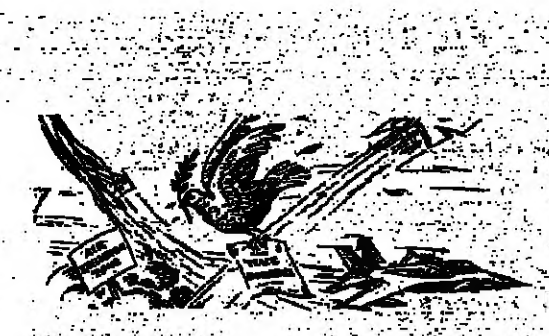
Jobs for the boys

Michael Thompson-Noel

HAWKS & HANDSAWS



Middle East talks

Better prospects for progress

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Skills

Do employers know what they want?

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Management

Why shortcuts don't work

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Golden fleece

Where there's wool there's brass

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NEWSPAPER of THE YEAR

FINANCIAL TIMES

Monday August 24 1992 EUROPE'S BUSINESS NEWSPAPER D8523A

Germany's SPD reverses policy on immigration

Germany's opposition Social Democrats have reversed their policies on refugees and the use of German forces in UN-led operations, which they now no longer oppose. The call for curbs on immigration, by SPD leader Björn Engholm, came on a weekend when over 200 skinheads and neo-Nazis clashed with police outside a refugee hostel in Rostock, eastern Germany. The police used tear gas and water cannon as the protestors, egged on by hundreds of spectators, threw petrol bombs, stones and fireworks at the hostel.

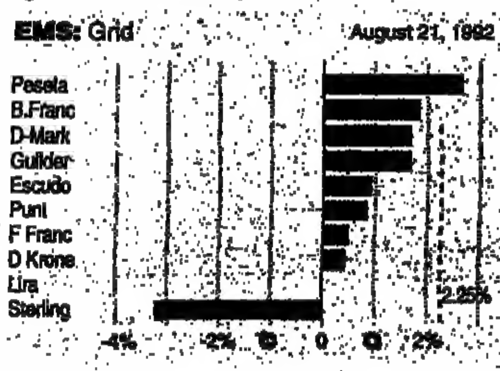
Israel's olive branch: Israel announced it was easing some restrictions on Palestinians in the occupied territories and freeing 800 prisoners. Middle East peace talks are due to resume in Washington today. Page 10; Peace hopes and war fears, Page 8

Gloves off: The Republican campaign turned ruthless as the party tried to link the Democrats and their presidential nominee, Bill Clinton with the troubled private life of actor-film director Woody Allen. Page 2

Hurricane hits Bahamas: Hurricane Andrew tore across the Bahamas with 150mph winds. Four people were reported killed. About a million south Florida residents were ordered to leave their homes as the storm roared on towards Miami. "We're looking at a very, very bad storm and it's coming straight at us", said one US official.

European Monetary System: Sterling and the Portuguese escudo dominated the European Exchange Rate Mechanism's grid last week. The pound virtually hit its floor against the D-Mark, putting the Bank of England under heavy pressure to intervene. The pound has diverged by 76 percentage points from its central ecu rate and some dealers say that this puts the Bank under a moral obligation to intervene. The Portuguese escudo slid five places in the grid after the Bank of Portugal cut its intervention rate by 1 per cent, triggering a run on the currency.

EMS: Grid August 21, 1992



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling, the Spanish peseta and the Portuguese escudo operate with six per cent fluctuation bands.

Kabul attacked again: Afghan rebels renewed their bombardment of Kabul. The government retaliated, claiming to have captured a strategic hilltop. The UN said over 1,800 had died in two weeks of fighting in the capital.

Lebanon polls: Lebanese in the north and east voted in the country's first general election since 1972. Two people were killed and many Christians boycotted the polls. Page 2

LSI Logic, the Californian chip maker, is closing its German plant, cutting US operations and shifting most of its manufacturing to Japan and the Asia Pacific region. About 450 jobs will go. Page 14

Cruiseliner sinks: More than 500 passengers were rescued when the cruise ship Royal Pacific sank after after colliding with a fishing boat in the Malacca Straits. Two bodies were recovered and seven people were still missing.

Uni Storebrand: Anders Eckhoff, chairman of the beleaguered Norwegian insurer, is expected to seek boardroom backing today to expand the company's share capital by at least NKr2bn ($347m). Page 14

Duchess heads home: The Duchess of York, centre of a scandal after being pictured on holiday with a Texas businessman, left the Queen's Scottish estate for her home in southern England.

Split over Efim: Divisions have emerged among foreign banks owed money by Efim, the Italian state holding company which was put into voluntary liquidation last month. The banks are due to meet Italian treasury officials in London this week. Page 11

Black prisoner dies: A 25-year-old man died in custody in Transvaal a day after being detained by South African police. He was the fifth person to die in the cells since an independent pathologist alleged four weeks ago that police regularly beat prisoners to death. Bad weekend, Page 3

Drought threatens city: A million people may have to be moved from Bulawayo, Zimbabwe's second city, which is expected to run out of water next month. Almost half the country's industries are based in Bulawayo.

Egyptians rescued: Helicopters and lifeboats rescued 22 Egyptian crew members when the 2,800-ton Sea Reefer ran aground off the northeast coast of Scotland.

Canada has reached outline agreement on constitutional reform. The deal stands a real chance of being accepted by all 10 provinces, including Quebec. Page 2

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Banks braced for pressure on dollar

By our Economics and Foreign Staff

CENTRAL BANKS around the world are today braced for renewed pressure on the dollar after the US currency breached its all-time low against the D-Mark at the end of last week.

In the UK, pressure on sterling may require a rise in base rates to prevent the currency falling below its ERM floor.

Bank of England and Treasury officials were yesterday working on strategies to support the pound as Mr John Major, the prime minister, returned to London. Treasury officials said the government would do whatever was necessary to maintain the pound within its ERM bands.

In the US, the likely response of the Federal Reserve to a further decline of the dollar was uncertain last night. In spite of the failure of foreign exchange market intervention to halt the dollar's slide on Friday, few Wall Street analysts believe the US monetary authorities are yet prepared to raise interest rates to defend the dollar.

The pressures resulting from the strong D-Mark seem certain to be on the agenda of a meeting of finance ministry officials from the Group of Seven leading industrial nations expected later this week to discuss a range of economic issues.

The dollar's decline led to a sharp fall in share prices on Wall Street on Friday, and caused severe strains on the weaker currencies in the European exchange rate mechanism.

Monetary officials in Europe are worried that a further fall in the dollar against the D-Mark could force several countries in Europe – including France and Italy – to increase interest rates at a time of weak economic activity.

- Dollar invisible issue in US election, Page 4
- Currency tacticians are ready to defend the pound, Page 4
- Business braced for rise in rates, Page 4
- Editorial comment, Page 8
- Better news on the UK deficit, Page 15
- Market falls under sterling's shadow, Page 14
- Currencies, Page 21
- The emperor has no plan, Page 26

In Germany, the Bundesbank is expected to come under renewed domestic and international pressure to cut its high short-term interest rates, thereby reducing the wide differential with US borrowing rates. This would depress the D-Mark's value on currency markets.

Mr Herbert Hax, head of the German government's council of economic advisers, said: "A large wave of international criticism of the Bundesbank's interest rate policy cannot be excluded ahead of September's meeting of the World Bank and the International Monetary Fund."

In the US, the consensus is that US monetary policy should be dictated mainly by the needs of the domestic economy which is still showing no signs of a robust recovery. Some economists continue to predict further small cuts in US rates if the economy fails to revive.

The dollar's decline, while attracting some media attention, has been overshadowed by the presidential campaign. Over the weekend President George Bush and Governor Bill Clinton traded punches on economic policy but neither saw the need to speak out on the dollar.

The Fed is unlikely to attempt to defend any particular value of the dollar, although it would strive to reduce the rate of dollar depreciation through carefully timed forays in the foreign exchange markets.

The US Treasury is thought to have supported concerted foreign exchange market intervention in recent weeks as much to ease tensions in the exchange rate mechanism as to defend the dollar.

If a further plunge in the dollar led to big falls in share and bond prices, however, the Fed might be forced to raise rates to restore confidence in spite of the damage this would do to Mr Bush's re-election hopes.

In Britain, City of London economists believe the government may buy pounds today in the foreign exchange markets, using its $45.7bn foreign currency reserves. Another strategy thought to be under discussion at the Bank of England is to strengthen sterling by raising the rates at which it lends money to commercial banks and discount houses in the cash market.

A small rise in lending rates would not necessarily trigger a base rate rise. But, by the close of trading on Friday, prices in the sterling cash and futures markets were discounting a rise in UK base rates by ½ a per cent.

Euro-sceptics within Britain's Conservative party have seized on sterling's weakness and the continuing recession to press their case for UK withdrawal from the ERM. Home loan societies warned yesterday they would be unable to keep their mortgage rates down if there was an increase in bank base rate this week.

Crackdown on 'ethnic cleansing' aimed at improving Belgrade's image

Panic faces challenge from Serb militants

By Laura Silber in Belgrade

MR MILAN PANIC, the Yugoslav prime minister, was on a collision course with militant Serb leaders in the northern Serb province of Vojvodina yesterday over his pledge to halt "ethnic cleansing".

Ultranationalist Serbs in the village of Hrtkovci threatened to set up roadblocks if five of their leaders were not released from prison today. The five were arrested on Friday night for "endangering the freedom and rights of citizens of other nations" after spearheading the expulsion of some 5,000 Croats from Hrtkovci, formerly a predominantly Croat village.

The arrests appear to be timed to coincide with this week's London conference on the former Yugoslavia, in an attempt to improve the west's image of Yugoslavia. If the Serbian radicals remain in jail, it would signal that Mr Panic has enough power to back up his pledge.

The confrontation could destroy the fragile coexistence between Vojvodina's Serbs, who make up 55 per cent of the population, and its ethnic Hungarians and Croats. The wars in Croatia and Bosnia began when militants set up roadblocks, claiming territory as their own, and took up arms against their ethnic rivals.

Peace overtures: Yugoslav federal leader Milan Panic said yesterday: "We are going to London to make peace."

Mr Ostoja Sibincic, the village's mayor, was one of the five detained. He joined a group of Serb refugees from Croatia in ordering streets be renamed and demanding the name of the farming village be changed from the Croat-sounding Hrtkovci into Serbislavci, meaning "the place of Serbs".

Croat inhabitants of Hrtkovci last month complained to Mr Panic about being forced to abandon their homes. They told of escalating harassment, including death threats, if they refused to accept offers to swap their homes for the houses of Serb refugees from central Croatia.

Continued on Page 10

Balkan drama, Page 2

US warns citizens to avoid Mideast

By Roger Matthews in Washington and Tony Walker in Cairo

THE US has warned its citizens to stay away from the Middle East, especially Jordan, north Africa and south Asia, amid mounting Arab hostility to its agreement with Britain and France to impose an air exclusion zone over southern Iraq.

Details of the plan, under which Iraqi aircraft flying south of the 32nd parallel will be threatened with destruction, are expected to be announced in the next 48 hours.

Most of Iraq's neighbours, despite their hostility to the regime of President Saddam Hussein, have warned that the exclusion zone will increase tension in the region and threatens to dismember a sovereign state.

Iran, Yemen, Syria, Jordan and Algeria have issued statements in support of Iraq's territorial

Continued on Page 10

Mideast peace moves, Page 3

Feature, Page 8

BAe shrugs off Saudi move to defer £8bn air base project

By Daniel Green in London

BRITISH AEROSPACE, the troubled defence contractor, prepared yesterday to mount a damage control exercise following Saudi Arabia's decision to shelve the £8bn-10bn ($15bn-19bn) Sulayil air base project. The base was to have been part of BAe's largest overseas contract, Al Yamamah 2, which is understood to be worth £30bn over the next decade.

Riyadh is paying BAe, as lead contractor on Al Yamamah 2, about £3bn a year for the rest of the decade for defence equipment, construction and services such as training. BAe has never revealed its own share of that total. In April, BAe received an instalment worth about £1½bn.

News of the postponement comes at a sensitive time for BAe, which is being restructured in an effort to restore its financial health.

Mr John Cahill, the company's new chairman, is expected to reveal progress on the restructuring in the company's interim results due late next month.

BAe confirmed the Saudi decision to shelve the project yesterday. But within the company it was being argued that the move was "not significant". Equipment, training and support were a far larger part of the Al-Yamamah project than construction, it was said.

Postponement reflected a change in priorities for Riyadh and suggested that funds would be moved from the construction project to the purchase of fighter aircraft, it was argued. This could lead to Saudi Arabia increasing its order for BAe's Tornado IDS, the version of the aircraft designed for air-to-air combat.

The Tornado is competing with US company McDonnell-Douglas' F15E. Saudi Arabia already operates both Tornados and F15s and is in a position to buy more of either or both.

Officially, BAe would say only that: "We remain satisfied on the progress of negotiations over the procurement of further equipment for the Al Yamamah programme."

The Saudi decision will mean the transfer to other projects of 100 staff at Ballast Nedam, BAe's construction arm. They have been working on designs for the Sulayil base, intended to be a 900 sq km complex, about 300 miles south of Riyadh in a desert region known as the Empty Quarter. It would have included a town of more than 25,000 inhabitants, a 25 sq km airfield, three 4km runways, as well as ammunition dumps, hardened shelters and technical facilities.

Ballast Nedam, a Dutch construction concern with a long history of contracts in the Middle East, was the lead contractor for the base. A number of other large UK construction companies had tendered for work. Ballast Nedam was bought by BAe in 1987 for £90m.

CONTENTS

Deputy prime minister criticises call for renegotiation of IMF accord

Russian bank chief 'playing games'

By Leyla Boulton in Moscow

MR Viktor Gerashchenko, chairman of Russia's central bank, has been accused by a senior minister of playing a political game in calling for renegotiation of the country's agreement with the International Monetary Fund.

Mr Alexander Shokhin, the deputy prime minister responsible for foreign economic ties, said in an interview yesterday that Mr Gerashchenko "says one thing to the press and another in real life." He added that the central bank chief had twice confirmed he supported an accord unlocking an initial $1bn (£520m) credit tranche before the IMF board met to approve it on August 4.

But on the eve of a meeting today with Mr Richard Erb, the IMF's deputy director, Mr Gerashchenko said in a newspaper interview he wanted to change IMF conditions for the loan. Mr Shokhin suggested the chairman might not put the issue so starkly to the Fund.

A western official said Moscow had already asked whether it could increase credits to boost the working capital of state-owned enterprises from Rbs150bn to Rbs300bn in the second half of this year. The IMF agreement said the Rbs150bn ceiling could be altered with Fund permission, but within an overall ceiling of Rbs700bn for new credit to the economy.

Asked if the government had made the mistake of endorsing strict conditions it could not meet, Mr Shokhin said: "We can always talk to the Fund if we have problems carrying out what we promised to do." In contrast, Mr Gerashchenko seemed intent on making a "political drama" out of the issue.

Dumping the existing IMF agreement would make it difficult for Russia to obtain a debt rescheduling and more western funds. It could further damage faith in the country's reliability as a negotiating partner.

Even before Mr Gerashchenko's comments, it was obvious Russia was unlikely to meet the targets of cutting its budget deficit to 5 per cent of GDP by the end of the year and reducing inflation to 9 per cent a month. The central issue now is how far he can undermine government attempts to discipline enterprises through a tight credit policy.

A western official said: "It looks like Gerashchenko is trying to capitalise on the discontent of the industrial sector, to appear as the man who has the courage to stand up to the IMF and who will negotiate better terms so that the Russian economy is kept alive and not destroyed, as the IMF is supposed to want to do."

Although the bank cannot unilaterally alter Russia's IMF agreement, Mr Shokhin acknowledged that lack of support from the chairman would undermine the accord.

Republicans resort to fire and brimstone

By Jurek Martin in Washington

IN savage campaigning over the weekend the Republican party for the first time sought to link the Democratic party and its presidential nominee, Mr Bill Clinton, with the troubled private life of Woody Allen, the actor and film director.

And President George Bush, addressing a meeting of fundamentalist political activists, came close to accusing his opposition of being anti-religious. "I am struck," he said in Dallas, "by the fact that the other party took thousands of words to make up its platform and left out three simple letters, G O D".

The president and his surrogates emerged from the party's convention in Houston last week breathing fire and brimstone and encouraged by scattered polling suggesting Mr Clinton's lead in the electoral race has been reduced to single figures. A Los Angeles Times poll, for example, had him only eight points ahead, nearly 20 points below his previous lead.

But some of the Republican attacks are sure to trigger controversy, especially that delivered, in Mr Bush's presence, by Congressman Newt Gingrich of Georgia, an ardent conservative.

Warming up a rally for Mr Bush, he said: "Woody Allen having non-incest with a non-daughter to whom he was a non-father because they were a non-family fits the Democratic platform perfectly." The Democrats, he said, had "no concept of family".

As is now standard practice, the Bush campaign issued a statement dissociating Mr Bush from Mr Gingrich's remarks. "The president is not going to make Woody Allen an issue," it said.

The Clinton campaign said the congressman's comments were "silly and outrageous".

The Rev Pat Robertson, a convener of the Dallas meeting and prominent at last week's convention, painted an even more Stygian picture of Democratic values in an extraordinary attack on feminism – typified in Republican eyes by Mrs Hillary Clinton – in a fund-raising letter he has written to an anti-feminist campaign in Iowa.

One paragraph runs: "The feminist agenda is not about equal rights for women. It is about a socialist, anti-family political movement that encourages women to leave their husbands, kill their children, practise witchcraft, destroy capitalism and become lesbians."

The Dallas meeting, to which Mr Clinton had turned down an invitation, made the Houston convention seem mild. The Democratic candidate, it was charged, was a friend of pornographers, would let homosexuals run the armed forces, and failed to understand that the hole in the ozone later was an atheist ploy.

The conservative Republican platform was frequently praised for having put backbone into the president. Mrs Phyllis Schlafly, a leading opponent of abortion, called it "one of the cleanest, clearest victories we have had".

Conservative satisfaction of a different kind was also expressed yesterday by Mr Jack Kemp, the housing secretary, who said in a television interview that he thought the president's acceptance speech had gone a long way towards meeting right-wing demands for a commitment to sharply reduced taxes.

Mr Clinton, in his weekend campaigning in the northern "rust belt" states, has not taken all this lying down, although he has focused more on the economic issues which he considers his greatest strength. He came close to accusing Mr Bush outright of being a liar in describing as "untrustworthy" the president's promise to cut taxes next year, which have been coupled with attacks on Mr Clinton's alleged propensity to increase taxes.

Democratic presidential nominee Bill Clinton (right) listens as his running mate, Al Gore, addresses an audience in Cleveland, Ohio, at the weekend

Adviser to Gaidar tells of 'mistake'

By Martin Wolf

WITH the mass privatisation programme announced last week by President Boris Yeltsin, Russian reform was now taking its "second step" – after earlier price liberalisation – Mr Sergei Vasiliev, a close economic adviser of Mr Yegor Gaidar, the acting prime minister of Russia, has argued in London.

But the government had made its first mistake by not liberalising oil and energy prices in April, he admitted.

As a result, oil exports have been falling, wasteful use of energy continues and administrative controls on oil exports have had to be maintained. The failure to liberalise also led to three months' stagnation in the reforms, while the opposition gathered strength.

Mr Vasiliev was announcing the appearance of a new quarterly journal, Russian Economic Trends, an English-language publication of the Russian government*. Apart from latest statistics, it sets out the Russian government's economic strategy and its analysis of economic developments.

Western aid could not solve the problems of so large a country as Russia. But western barriers to exports of high-technology products, textiles and farm products were an important obstacle to Russia's ability to exploit its long-term comparative advantage in trade.

The government was still unable to control the budget deficit, Mr Vasiliev said. But such control was necessary for a fixed exchange rate, needed to provide the predictable environment desired by foreign investors. Mutual credit lines had also to be set up among the countries of the former Soviet Union, he added. Where new currencies were created, floating rates of exchange would be needed, but Russia was prepared to help the other states by subsidising its exports of oil and gas.

**Russian Economic Trends. Whurr Publishers Ltd, 19b Compton Terrace, London N1 2UN. Tel: 071-359-5979; fax: 071-226-5290. Subscription rates: 1992 (Vol 1, 3 issues) £110; 1993 (Vol 2, 4 issues) £150.*

Canada reaches agreement on political reform

By Robert Gibbens in Montreal

CANADA has reached broad agreement on constitutional reform, with the likelihood of acceptance by all 10 provinces.

Mr Robert Bourassa, Quebec's premier, who has traded a reformed Senate for a permanent guarantee of 25 per cent of the House of Commons and greater autonomy, has endorsed the deal.

The two provincial premiers who failed to accept the Meech Lake accord in June 1990, Mr Clyde Wells of Newfoundland and Mr Garry Filmon of Manitoba, are ready to fall in line.

But Mr Bourassa may well face stiff opposition from nationalists in his Quebec Liberal party. Quebec voters generally opposed Senate reform and nationalists say Mr Bourassa has obtained less than Quebec was promised in the Meech Lake talks.

The premiers of British Columbia and Alberta, who endorsed the deal with reservations, may also face opposition in their own provincial legislatures.

Mr Brian Mulroney, Canadian prime minister, said after a week of gruelling negotiations on the country's constitutional future: "We have the tools to secure our future together, our unity and our prosperity. It is a good deal for all provinces, although Quebec's nationalists will never get enough."

The preliminary text now goes for legal drafting and review by ministers later this week. The federal parliament and all provincial legislatures must ratify the final version. A national referendum is possible.

The main points are:

- The appointed Senate will become an elected body with a fixed number of senators from each province and one each from the Yukon and the north-west territories. It will have little legislative power.
- The Commons would be expanded from 295 to 337 members, with Quebec and Ontario each getting 18 more seats, British Columbia four more and Alberta two more.
- Quebec gets 25 per cent of the seats, providing a guarantee of its input at the federal level, and is recognised as a distinct, primarily francophone, society. Protection for English minorities in Quebec and French minorities in other provinces is provided. Quebec and all other provinces can veto changes to the Senate and other federal institutions.
- Aboriginal people get an "inherent right to self-government", but no new land rights.
- More powers are transferred to provinces that want them, mainly Quebec, but the problem of inter-provincial trade barriers has yet to be resolved.

Mr Mulroney will have little difficulty in getting support from his own federal caucus in Quebec, but Mr Bourassa will face a full Quebec Liberal convention next weekend.

French jails near normal

MOST of France's jails returned to normal at the weekend as prison officers reported for work after last week's strike, writes Alice Rawsthorn in Paris.

Officers at most of the country's 175 prisons called off their industrial action on Saturday following an offer by Mr Michel Vauzelle, justice minister, to recruit an extra 730 staff in response to demands for increased manning and better protection against violence.

The government attempted yesterday to force the remaining strikers to return to work by threatening to invoke legislation from the 1950s denying public employees working in sensitive sectors – including the police, magistrates and prison officers – the right to strike.

Last week's action was in protest over the murder of a warder by an inmate at Rouen jail. It created chaos in prisons and riot police were drafted in to restore order.

Ministers, who have faced a series of industrial disputes throughout spring and summer, are anxious to stabilise the political climate in France ahead of next month's Maastricht referendum.

THE LONDON CONFERENCE

Macedonia hovers in wings during Balkan drama

Laura Silber on fears that international opposition to the republic's independence could lead to unrest

The issues

MACEDONIA will not be centre-stage at this week's London talks on the former Yugoslavia, but if it is ignored it could quickly become the main act in the Balkans drama.

Even though the republic has played by the rules of the European Community – complying with EC conditions on human and minority rights in order to win international recognition – it has remained the victim of Greek insistence that the name Macedonia is Hellenic property. In an attempt to placate Greece, the EC has said it will not recognise Macedonia until the southern Yugoslav republic changes its name.

This approach has also held sway in the wider international context. The US has postponed Macedonian recognition until after the November presidential elections, to avoid conflict with the large Greek community, according to western diplomats.

Politicians in Skopje, the Macedonian capital, fear history is repeating itself. Over the past century, whenever Macedonia has attempted to assert its identity as an independent state, jealous neighbours have provoked a war.

President Kiro Gligorov hopes the republic's status will be resolved when the London Conference on Yugoslavia convenes on Wednesday. "There is a real danger of war spreading throughout the Balkans if Macedonia is not recognised," he says.

Diplomats say the republic's population may run out of patience with western intransigence. "Macedonians are united in their refusal to change the name. There is a serious risk that the radical threat the Greeks say they fear could become a self-fulfilling prophecy if Macedonia is sentenced indefinitely to purgatory," says one western diplomat.

While politicians in the republic do not expect a spontaneous uprising, there are several factors which could destabilise the republic.

Because of its sensitive geographical position they fear any unrest would trigger intervention by some, or all, of its neighbours – Serbia, Greece, Albania and Bulgaria.

Mr Ljubomir Frckovski, interior minister, believes the real danger is conflict in Kosovo, a Serbian province.

Leaders of Macedonia's ethnic Albanians, comprising about 35 per cent of the 2m population, warn they would fight to defend kinsmen in Kosovo in the event of Serbian aggression there. Serbia, hardened by war and traumatised by United Nations economic sanctions, might then intervene in Macedonia.

Albania has also said it would come to the aid of Kosovo's Albanians.

Turkey, which was among the first countries to recognise Macedonia, also appears interested in gaining influence in the Balkans and might intervene on behalf of both Albanian and Slavic Moslems.

President Gligorov admits violence in Kosovo could destroy the fragile co-existence between Albanians and Macedonians. Although in a minority, Albanians are better integrated into Macedonia than the majority Albanian population in Kosovo. "Albanians are part of the parliament and the government. They share responsibility for the destiny of Macedonia," he says.

There is also the problem of ultranationalist Macedonians. Many fear that deepening economic deprivation, due both to the war in the former Yugoslavia and international sanctions against Serbia, will strengthen the hand of the far right.

The Internal Macedonia Revolution Organisation (VMRO) is the most extreme party on the Macedonian political scene. A faction of VMRO calls for the integration of Macedonia into Bulgaria.

Many Macedonians fear that, in the event of a war, Bulgaria, whose people consider Macedonians to be Bulgarians, would intervene on the pretext of aiding their kinsmen.

Mr Vladimir Milcin, a human rights activist and Macedonia's most respected theatre director, says the EC's failure to recognise Macedonia will radicalise the population. He fears that after the wars in Croatia, Slovenia and Bosnia, Macedonians will believe the only way to win independence is through conflict.

"Recognition would show there does not have to be bloodshed in order to gain independence. It was not necessary to take up arms to win," he adds.

Leading politicians believe the short-term violence can be avoided through bolstering economic ties with countries which have recognised Macedonia.

But President Gligorov sees aid as necessary to keep the economy from running aground.

At the very least, he says, Macedonia should be compensated for the effects of UN sanctions against Serbia and Montenegro.

Mr Milcin is less diplomatic. He warns "that without economic aid, the third Balkan war will begin on the territory of Macedonia."

Azerbaijani jets 'kill 40 in raids'

AZERBAIJANI warplanes bombed the disputed territory of Nagorno-Karabakh at the weekend, killing dozens of civilians, Russian television said yesterday, Reuter reports from Moscow.

An evening news report showed people being dragged from the debris of a refugee hostel it said was destroyed on Saturday when an aircraft dropped two bombs on the Karabakh capital, Stepanakert. Some 40 people were reported killed in Saturday's attack by Su-25 planes and 100 wounded. Others died in a raid yesterday.

A spokesman for the Karabakh Committee, which represents ethnic Armenians in the enclave, said many more had been killed and injured. Bomb attacks killed several people in the nearby town of Shusha on Saturday.

"The main victims were old people, women and children. Many of them remain under the rubble of destroyed buildings, the clearing of which is made more difficult by the panic which has gripped people," the Armenian news agency said. Azerbaijan has made no statement.

More than 2,000 people have been killed in four years of fighting between the former Soviet republics of Armenia and Azerbaijan. The conflict is mainly in and around Nagorno-Karabakh, an Armenian-populated enclave within Azerbaijan. But it has spread to wide areas along the border between the two Caucasian neighbours, both members of the Commonwealth of Independent States which replaced the old Soviet Union.

Russian TV showed Azeri aircraft dropping what it said were half-tonne bombs on Stepanakert. A string of Armenian victories earlier this year succeeded for a time in driving enemy forces out of Nagorno-Karabakh. But Azerbaijan has since seized the initiative, regaining a foothold in the territory and capturing Armenian land. Peace negotiations and several attempted ceasefires have foundered.

Szczecin holds key to cross-border regional renaissance

Germans and Poles look to the port to power development, writes **Andrew Fisher**

THE EUROPEAN MARKET

IN Poland they call it Szczecin, one of the country's largest ports and a gateway to the Baltic, Scandinavia and the rest of northern Europe.

But to the Germans it is still Stettin, once sold by Sweden to Prussia and then taken from Germany after the second world war. The city of 411,000 people lies at the mouth of the River Oder, which forms part of the border separating the two countries.

Szczecin, with its grand 19th century avenues and parks, suffered severe damage during the war, much now repaired. Today it is at the centre of tentative moves towards economic and political co-operation that hold out the hope of renewed prosperity for the region of Pomerania spanning both countries.

At present that hope is a long way from realisation. But the will is there on both sides since the fall of the Berlin Wall opened up a new era for the region's 1.5m inhabitants.

On the east German side there is an eagerness to reach across the Oder and develop Pomerania as an economically viable cross-border region, with Szczecin as its natural centre. "We've got to start rebuilding links with Poland now," says Mr Rainer Haedrich, head of the local council in Pasewalk, a small German town at the far eastern edge of Mecklenburg-Vorpommern, the agricultural state next to Poland. "We must take that step."

The Poles are keen, since the prospect of Szczecin being able to benefit again from its former hinterland is attractive. There is also the prospect of EC funds under a programme for border regions. Arthur D. Little, the US consultancy advising the German side, suggests comparisons with the *maquiladora* system of labour division in the border free-trade zone between the US and Mexico. Since 1980 about 2,000 US companies have created half a million jobs on the Mexican side.

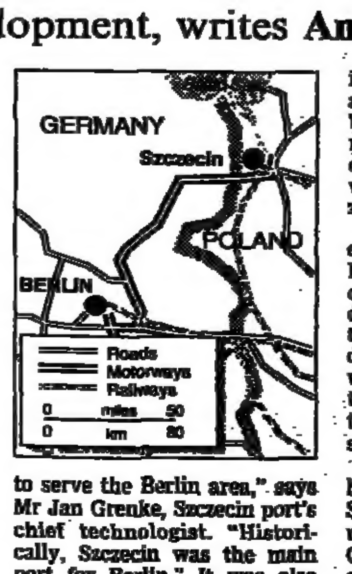
But before anything like this can happen, considerable work and money will be required on both sides. The main prospects for increased co-operation are in tourism – the largely enclosed bay area north of Szczecin is especially attractive for yacht owners – as well as construction, transport, food processing and furniture. German companies already buy cheap Polish timber, upholstery and building materials.

But while eyeing the possibilities of broader co-operation, both sides have more immediate problems. As in the rest of east Germany, the regions of Pasewalk and neighbouring Ueckermunde are struggling to adjust to the free market. The area was over-farmed and over-fertilised in the interests of East German self-sufficiency. Most of the agricultural jobs are now disappearing.

The big railway depot near Pasewalk is also reducing its operations. The extensive maintenance activities that supported agriculture are being run down and some of Ueckermünde's industry has been privatised. Unemployment is high.

Against this background it is hardly surprising that many Germans in the region are hopeful of renaissance in Szczecin and its nearby sister port of Swinoujscie (Swinemünde), which handles bigger ships. The Poles, too, are keen to develop business, seeing their port complex as a natural link with Berlin.

"We are more favourably placed than Rostock [the east German port city further east] to serve the Berlin area," says Mr Jan Grenke, Szczecin port's chief technologist. "Historically, Szczecin was the main port for Berlin." It was also part of the pre-war route between Scandinavia and Prague.



There is potential for growth. Some German companies are interested in using Szczecin and Swinoujscie to ship timber, chemicals, building materials, and other goods in and out of Germany. Szczecin also wants to set up a customs-free zone.

In recent years the two ports, employing nearly 5,000 people, have operated at well below capacity, mainly because of the drop in Polish coal mining and the loss of some markets. To develop new business, the port wants to build a multi-purpose terminal in Szczecin for container and roll-on/roll-off vessels.

Swinoujscie also needs new handling and storage facilities. Since the ports do not have the money, they are looking for German, Scandinavian, and other partners. "We have the land, but because of our economic situation we have no funds," Mr Grenke laments.

Language is one difficulty, since the Poles – at least, the younger ones – prefer to speak English, which was hardly taught in the old East Germany. But Polish is now starting to be taught on the east German side.

The east Germans also plan business parks to attract investment in light industry and services. In Ueckermünde a DM80m (£21.2m) marine harbour is being developed to attract prosperous Berliners who want to sail in the attractive Oder bay straddling the border. Pasewalk has hopes it can attract investment to build a DM1bn cement complex on the site of a limestone deposit.

For the east Germans the possibility of a revived Pomeranian region with its heart in Szczecin makes the present economic uncertainties easier to bear. Says Mr Peter Heise, head of Pasewalk's economic development department, hopefully: "We want to give this region, which is away from the main centres of economic development, a better image in the outside world."

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NEWS: INTERNATIONAL

Lebanese choose MPs for first time in 20 years

Lara Marlowe in Baalbek sees Hizbollah make the transition from guerrilla group to mainstream political party

MOSLEM and Christian residents of northern Lebanon and the Bekaa Valley voted yesterday in Lebanon's first parliamentary elections in 20 years.

A few ballot boxes went missing with voters' lists, irregularities which appeared to favour government candidates. But the pro-Iranian Shia Moslem Hizbollah movement, the most popular party in the Bekaa Valley, said it believed the poll was free and fair.

The Hizbollah fielded four candidates in the Baalbek-Hermel region - marking its transition from a secret guerrilla movement associated with the kidnapping of westerners in Lebanon to a mainstream political party.

The poll went ahead despite objections by Maronite Catholics, concentrated in the mountainous coastal strip running from east Beirut up to Jbeil, and in the Israeli-controlled "security zone" in southern Lebanon. These regions observed a "day of mourning" in protest at the poll yesterday.

But Christians in northern Lebanon and the Bekaa are generally allied with Syria and participated in the voting. "We would not participate in this election if we did not think it was free," Sayyid Ibrahim Amin, a Shia cleric, member of the Hizbollah political bureau in Beirut and the leading candidate on Hizbollah's list, said. "This doesn't mean that the government will not do some cheating. Elections that are 100 per cent free and fair exist only in paradise, and we do not live among angels."

Down the hill at Baalbek's Palmyra Hotel, the Lebanese Speaker of Parliament Hussein Husseini, Hizbollah's main opposition in the Bekaa, was concluding an election-day meeting with Gen Ghazi Kenaan, the chief of Syrian military intelligence in Lebanon. Syrian troops and plain-clothes intelligence officers manned check-points every few kilometres throughout the Bekaa, but there were no Syrians in the villages or polling stations.

The Hizbollah are the only party to have published an election programme for the controversial poll, which is scheduled to continue next week in Beirut and Mount Lebanon and on September 6 in the south.

Many Shia voters said yesterday that they supported Hizbollah because it was the only group in Lebanon which continues to fight the Israeli occupation of the south. But the "Party of God"'s social programmes in the Bekaa, which include Iranian-financed supermarkets, schools and hospitals, have also won it the loyalty of many in this neglected region.

> 'Elections that are 100 per cent free and fair exist only in paradise, and we do not live among angels'

Hizbollah candidates claim they will improve living conditions for the poor throughout Lebanon if they are elected. "In some of the world's worst dictatorships, people are respected to the extent they have water, electricity, streets, hospitals and job opportunities," Sayyid Ibrahim Amin said.

"These are not available for a large segment of the Lebanese population. The Lebanese people live in a system that despises them. This didn't start with the civil war. It's been going on for 50 years."

Condemnation of the Maronite elite who ruled Lebanon until the civil war was implicit in Sayyid Ibrahim's speech. The majority of Maronites, about a third of the population of Lebanon, are boycotting the legislative elections because 40,000 Syrian troops are still in Lebanon. "Was the election of Bashir Gemayel in 1982 free, with Israeli troops in Beirut?" asked Sayyid Ibrahim. "It was the same parliament that elected him. If they had opposed the 1982 presidential election, their opposition today would be more credible."

The enmities of the 1975-90 civil war still linger. "The Maronites are saying these elections are not fair because that is their last excuse," Ali Shirazi, a 20-year-old French literature student and Hizbollah supporter from Baalbek, said. "They are sulking because they are losing their domination over everyone else in Lebanon."

Twenty-five kilometres from Baalbek, in the Shia village of Chmestar, Mr Talal Salman, the editor of As Safir newspaper, one of Beirut's main dailies, said he understood the Maronites' reservations but regretted their boycott of the poll. "The balance of the country will be lost through their decision," he said, pointing out that there are no Syrian soldiers in the Jbeil and Kesrouan regions, where opposition to the vote is highest.

Mr Salman, whose newspaper is considered pro-Syrian, noted that Syria was named in the 1989 Taif Accords to help implement the peace plan. "Syria has lost the lives of many soldiers in 16 years in Lebanon and they see political influence as payment for that sacrifice. Israel, by occupying part of Lebanon, gives Syria the right to be here. You cannot tell the Syrians to go while Israel is still here," he said. In the run-up to yesterday's elections, Lebanese officials travelled every day to Damascus to confer with Syrian Vice President Abdel Halim Khaddam. "This silly government in Lebanon doesn't have the confidence to make its own decisions," Mr Salman said. "Over the years, the Maronite leaders were the ones who went most often to Damascus to ask favours. This is a transitional period after the war, and it will pass."

A Moslem woman votes in the elections in Baalbek, east Lebanon

Meanwhile, women in chadors and girls in tight blue jeans, Hizbollah fighters, lawyers and teachers crowded into the Chmestar girls' public school down the road from Salman's house to post their ballots under the watchful eye of Lebanese policemen armed with automatic rifles.

Mr Habib Shadad, a civil servant in suit and tie from the Ministry of the Interior, sat next to a metal ballot box securely closed with two padlocks, in the presence of representatives of the five competing candidates' lists. Shadad held his right hand over the slot in the top of the ballot box at all times, lifting it only when voters had shown their identity papers, been checked off on the voters' list and slipped their ballot into a ministry-stamped envelope. "This is my responsibility before God," he said of his role in supervising the election.

"I am 30 years old and I never voted before today. I hope we have elections every day, so we can express our opinions like the French do."

But would the elections be free and fair, in view of the presence of Syrian troops? The civil servant's spontaneous reply: "God willing," he said. "According to what I heard from the media and [Syrian] President Hafez al-Assad, it will be."

NEWS IN BRIEF

Japan party chief's aide 'given Y500m'

A SECRETARY to an influential ruling party politician is reported to have accepted hundreds of millions of yen from a transport company at the heart of Japan's latest funding scandal, Reuter reports from Tokyo.

A secretary to Mr Shin Kanemaru, vice-president of the Liberal Democratic party (LDP), received Y500m (£2m) in cash before the 1989 election from Mr Hiroyasu Watanabe, former chief of Tokyo Sagawa Kyubin, television and newspapers said.

The daily Asahi Shimbun said Mr Watanabe, 58, admitted handing the money to one of Mr Kanemaru's secretaries in June 1989 in the parking lot of the Tokyo building where many leading LDP member have offices. Asahi said one of Mr Kanemaru's secretaries strongly rejected the allegation.

Cruise liner sinks

Malaysian sea-rescue teams were still searching last night for those missing after a cruise liner with more than 500 passengers and crew aboard sank in the Malacca Strait, about 15 miles off Malaysia, writes Kieran Cooke in Kuala Lumpur.

The Bermuda-registered Royal Pacific was in collision with a Taiwanese fishing vessel early yesterday. Survivors said it sank in minutes. Malaysian authorities said most of those on the ship had been rescued but two were dead and several other passengers missing. Most of those aboard were believed to be Singaporeans.

Kabul fighting kills 1,800

At least 1,800 people have been killed, many of them women and children, in two weeks of bloody factional fighting in Kabul, Reuter reports from Islamabad.

Several thousand have been injured since Hezb-I-Islami Mujahideen and forces loyal to the Islamic coalition government joined battle two weeks ago, a senior United Nations official said.

An estimated 126,000 of the 1.5m residents of the Afghan capital have fled, Mr Sotirios Mousouris, personal representative of the UN secretary-general in Afghanistan and Pakistan, said. UN agencies working in Afghanistan have prepared an emergency package of $10m "to address the urgent humanitarian needs of the country arising from the current hostilities", he added.

Iran 'bans free speech'

Freedom of expression in Iran is still "brutally suppressed", despite the victory of "moderates" backed by President Ali Akbar Hashemi Rafsanjani in elections, Article 19, the international anti-censorship pressure group, says, Edward Mortimer writes.

Under Mr Rafsanjani, the group says in a report published today, journalists have been arrested, newspapers banned and newspaper offices ransacked by government officials or hardline opposition groups, whose activities go unpunished. The clampdown on journalists and artists "continued with renewed vigour" after widespread anti-government riots and demonstrations against housing evictions in April and May, and in June the new parliament reaffirmed the late Ayatollah Khomeini's death sentence against Mr Salman Rushdie.

(Iran: press freedom under the 'moderates', published by Article 19, 90 Borough High Street, London SE1 1LL.)

Chinese phone numbers sold

The upwardly mobile of Beijing's were out in force at the weekend for the first auction in the Chinese capital of auspicious telephone numbers, writes Yvonne Preston.

Bidding was brisk for multiple six or eight numbers and for combinations of the two. To the superstitious, the number six denotes luck and eight means wealth. The top price of 65,000 yuan ($16,250) was paid for a mobile phone number 901 9888.

Official statistics show the average number of telephones per 100 persons to be 1.29 in 1991.

Disputed glacier discussed

India and Pakistan have agreed to high-level discussions on pulling back troops from a disputed Himalayan glacier, Reuter reports from Islamabad.

Defence Ministry secretaries of the two countries will meet in late October or early November to sort out differences on redeployment of troops, Pakistani Foreign Ministry secretary Shaharyar Mohammad Khan told reporters.

Clashes have occurred as Pakistan repeatedly tried to retake the glacier in an unmarked portion of a military control line dividing Kashmir into Indian and Pakistani zones.

Kuwait plans to spend $12bn on building up armed forces

KUWAIT has allocated an extra KD3.5bn ($12bn) to spend on buying advanced weapons and building up its armed forces over the next 12 years, Reuter reports from Kuwait.

A decree from the Emir, issued late on Saturday, said the government was authorised to draw the KD3.5bn from its general reserves and add it to money already allocated to bolster Kuwait's defences.

"The Higher Defence Council is authorised to allocate the sums needed for every financial year for 12 years beginning from the financial year 1992/1993," the decree said.

"Those sums which are not spent in every year will be transferred to the subsequent year."

It was not clear exactly what was meant by the amount already allocated for Kuwait's defence. Economists said they believed money drawn from the KD3.5bn would most likely not be included in budget projections, but would be added to final accounts drawn up at the end of each fiscal year.

Kuwait raised defence spending in fiscal 1991/1992 five-fold from the previous year but the increase was mainly due to huge contributions towards the costs of allied forces which ended Iraq's seven-month occupation.

Kuwait has not announced a defence allocation for its current 1992-1993 budget, which foresees a drop in total spending to KD4bn from an estimated KD6.2bn in 1991/1992.

But it has said non-recurring war costs would fall to KD2.21bn in 1992/1993 from KD4.5bn the previous year.

Diplomats say Kuwait's plans to overhaul its armed forces and buy hundreds of tanks, armoured personnel carriers, helicopters, artillery and air defence systems are still being worked out.

No exact breakdown is available, but economists say the emirate's general reserves and overseas assets have dwindled to less than $40bn from $100bn before Iraq's invasion because of heavy Gulf war spending.

Middle East orders $35bn in arms since Iraqi invasion

By a Financial Times Reporter

MILITARY equipment and arms worth between $35bn and $45bn (£18bn-£23bn) have been ordered by Middle Eastern countries since Iraq invaded Kuwait, according to the Saferworld Foundation, a think tank and pressure group based in Britain.

It suggests in a report today that "unless the major powers and the countries of the Middle East learn the lessons of history and work to reduce and control arms transfers to the Middle East, the hopes for the peace process, currently so high, may disappear beneath an arms race that perpetuates instability, conflict and bloodshed in the Middle East."

Saferworld says the US has received orders worth about $28.5bn, principally from Saudi Arabia, which has ordered more than $17bn worth of equipment.

The 1992 "Javit's list", which sets out the US's expected arms exports for the year, predicts sales worth $35bn, mostly to countries in the Middle East.

The report says the US government "has helped its manufacturers by providing Desert Storm veterans to recount their experiences at arms fairs, such as the Paris Air Show. The Pentagon has also provided equipment used in the Gulf War free of charge, saving manufacturers hundreds of thousands of dollars in leasing and transport costs."

Saferworld says the UK has received orders worth about $4bn in which Tornados, Hawks and other aircraft figure prominently. "Russia, Germany, North Korea, China, Czechoslovakia, France and other industrialised countries have all received orders from the Middle East. Saudi Arabia, Israel, Kuwait, Iran, Turkey, Egypt and Syria lead the importing nations."

Korean minister in China for talks

By Yvonne Preston in Beijing

MR Lee Sang-ock, South Korea's foreign minister, arrived in Beijing yesterday for talks with Chinese leaders expected to result in the establishment of diplomatic relations between the two former enemies. An announcement is expected today.

Normalisation between the two countries has been on the cards for some time, with the rapid expansion of economic ties. Total trade volume reached $5.8bn (£3bn) last year and is forecast to exceed $10bn for 1992, making South Korea China's fourth biggest trading partner after Hong Kong, the US and Japan.

Last year both countries signed an agreement giving each other "most-favoured-nation" status for investment and business ventures. South Korean investment topped $130m in 1991, quadrupling that of 1990.

This year the two countries agreed to exchange Bank of China and Korean Exchange Bank offices in each other's capitals.

Mr Lee visited Beijing in April for a meeting of the Economic Commission for Asia and the Pacific. At that time he was the highest-ranking minister from Seoul to have visited China.

North Korea is certain to be unhappy at the prospect of diplomatic ties between its northerly neighbour and China. China has backed the North since partition of the peninsula after the second world war, while the US was patron to the South during the decades of the cold war.

Lee Sang-ock (left) meets Zhang Dingyan of China's Foreign Ministry in Beijing

Mr Lee made no comment on arrival at Beijing but last May he told a seminar in Seoul that relations between China and South Korea would act as a "catalyst for change".

"Lingering of the cold war on the Korean peninsula and North Korea's continued isolation certainly are not desirable for South Korea, North Korea and China," Mr Lee said. China's interest in normalisation lies in South Korean investment and trade.

● Taiwan, shrugging off its worst diplomatic setback in a decade, said its foreign policy would not change following South Korea's move to switch diplomatic recognition from Taipei to Beijing, Reuter adds from Taipei.

Government leaders said the island would retain its claim of sovereignty over China and continue seeking to build unofficial ties with countries that recognise Beijing.

"We will continue to push forward our long-standing policy of flexible diplomacy in order to expand links with the world," President Lee Teng-hui said.

Bad weekend for South Africa's right-wingers

By Patti Waldmeir in Johannesburg

RIGHT-WING whites in South Africa had a hard time over the weekend.

Rugby, the national sport of the right, dealt them a cruel blow when the South African side lost to Australia 26-3 (though the relatively civilised behaviour of the fans at least ensured that future rugby tours should not be in jeopardy).

And right-wing politicians took a small step towards acknowledging the end of white hegemony when they agreed to participate in "talks about talks" on a post-apartheid constitution which, even if they have their way, would leave whites with a much smaller share of land and privilege in South Africa.

The weekend ended what has been a rough month for the right: Mr Eugene Terreblanche, leader of the paramilitary Afrikaner Weerstandsbeweging (Afrikaner Resistance Movement or AWB), has had his sexual relationship with a South African journalist exposed in the British courts in sordid detail.

Mr Terreblanche had already become a figure of fun when he tumbled from his horse last March at a right-wing rally in Pretoria. Now that the court has bared Mr Terreblanche's green underwear to the world, it is difficult to see him leading a ferocious Afrikaner nationalist resistance to reformist President F.W. de Klerk.

Indeed, lack of leadership appears to be the right wing's main weakness at the moment. Mr Andries Treurnicht, leader of the right-wing Conservative party, the official parliamentary opposition, is an old man weakened by the referendum result, and is scarcely likely to survive much longer at the CP helm. And there is no heir apparent to Mr Terreblanche, a powerful orator whose humiliation weakens the right-wing cause.

But if the right lacks leadership, it does not lack support. Over 30 per cent of the white electorate voted for the right in the recent referendum, and there are believed to be well over a hundred small ultra-right groups (many of them paramilitary) operating throughout the country. They could prove a powerful force if united.

'Verwoerd joins ANC'

Wilhelm Verwoerd, grandson of former South African prime minister Hendrik Verwoerd, the main architect of apartheid, has joined Nelson Mandela's African National Congress, South Africa's Sunday Times reported, Reuter reports from Johannesburg.

It quoted his wife Melanie as saying: "We hope our work within the ANC will, in some small way, make up for the hurt caused to so many people by Dr Verwoerd, the Verwoerd name and the policy of apartheid which he personified."

Hendrik Verwoerd was prime minister from 1958 until he was assassinated in 1966.

For the moment, unity is proving illusory, even among the politicians. Ten days ago, five Conservative party members of parliament resigned to form a new right-wing party, the Afrikaner Volksunie. Led by Mr Andries Beyers, whose victory in the Potchefstroom by-election earlier this year prompted Mr de Klerk to call a referendum to prove his support among whites, the new party advocates negotiation with blacks for a much smaller separate white homeland in the northern Transvaal and parts of the Cape. (The Conservative party says it wants a larger homeland covering the 41 constituencies won by the CP in the 1989 elections and by-elections.)

Though it is too soon to gauge the new party's support, its formation has provoked a number of resignations from grass-roots party organisations, and its more moderate stance appears to have forced a measure of moderation on the parent Conservative party as well. Last Saturday the party decided after a special congress that it would participate in talks with the Zulu Inkatha Freedom party, and possibly the National party, about the failed Codesa constitutional talks, suspended since June.

Mr Treurnicht, who has raised evasion to an art form during his long political career, refused to be drawn on whether the Conservatives would now join negotiations with the African National Congress (ANC) on a post-apartheid constitution. But it seems likely that the weekend decision to attend "talks about talks" could eventually lead to negotiations with the ANC.

Both the ANC and the National party hope that the Conservatives can be drawn into talks. They worry that white separatists could turn to violence if they feel that they have been barred from all peaceful avenues to achieve their aim of national self-determination for the Afrikaner.

THE MARKETS UNDER STRAIN

Currency tacticians ready to defend pound

THE TACTICS of the Treasury and the Bank of England in propping up the pound will be tested today, when sterling is expected to come under renewed pressure on currency markets.

After the pound's sharp fall on Friday night, when it traded perilously close to its floor against the D-Mark in the European exchange rate mechanism, UK monetary officials spent the weekend thinking of ways to defend the currency without a politically damaging rise in interest rates.

Some economists believe, however, the chances for a rescue of the currency are slim. Mr John Shepperd, an economist at S.G. Warburg Securities, the investment group, said: "There's been a steady reduction in confidence in sterling. We may be moving into a crisis."

Mr Keith Skeoch, chief UK economist at brokers James Capel, believes UK monetary authorities have "a credibility problem" due to their lack of success in arresting sterling's recent decline. He thinks there is a "good chance" of a rise in base rates, now at 10 per cent, in the next few days.

Mr Norman Lamont, the chancellor, has attempted to lift the currency throughout the pound's 15-pfennig slide over the past three months to DM2.7875 at the London close on Friday night.

He has issued determined statements that Britain will keep the currency in its existing ERM band around a central rate of DM2.95. The essence of this message is that investors who sell the pound when it approaches its ERM floor of DM2.778 will lose money, as the UK will never allow the limit to be breached.

Mr Lamont's strategy has been buttressed by modest and discreet intervention by the Bank, mainly in the Far East, to buy sterling for other currencies, chiefly D-Marks, to lift the value of the pound. The Bank has also joined three highly public operations by other central banks during the past month – including moves by the US Federal Reserve and the Bundesbank – to buy dollars for D-Marks, and so depress the German currency.

The strength of the D-Mark – caused by the difference of 6.75 percentage points between German and US short-term interest rates – has been one of the main components of sterling's recent difficulties.

But UK efforts to buoy the pound may have run out of steam. The main obstacles have been:

● D-Mark resilience. The interventions by central banks to lower the value of the German currency – the last one being on Friday – have failed. The dollar fell below its all-time low of DM1.4430 against the D-Mark on Friday, and this helped to push down sterling.

Mr Jim O'Neill, head of financial markets research at Swiss Bank Corporation, said: "The dollar may be set for bigger falls, and I don't think the central banks can do much about it."

● Economic gloom. In recent weeks the economic outlook has worsened. At the end of May the consensus among private-sector economists was that UK output this year would rise by 0.8 per cent. The latest average forecast, according to Consensus Economics, a consultancy firm, is for a 0.5 per cent decline. Such sentiments have knocked market confidence and helped persuade investors to sell sterling.

● Devaluation worries. In spite of Mr Lamont and Mr John Major, the prime minister, stressing Britain's ERM commitment, doubts remain about whether the UK might devalue should the pound fall too far – especially if raising interest rates was the only alternative.

Some large UK companies, hedging bets about a possible devaluation, have been among sellers of sterling in the past week.

● Maastricht concern. The financial markets are worried about the possibility of a large "no" vote in the French referendum on ratification of the Maastricht treaty on September 20. Such a result would almost certainly halt progress towards economic and monetary union. It might also damage confidence in the ERM, undermining weak currencies such as the pound. As the referendum nears, these fears will give investors more excuses to switch out of sterling.

Where does this leave Mr Lamont and his advisers? One option is for the Bank to intervene heavily and publicly to buy the pound for D-Marks.

Such an operation would convince investors of Britain's determination to use its foreign-currency reserves – which add up to $45.7bn (£23.5bn) and include a substantial proportion of D-Marks – to defend its currency.

If intervention of this sort failed to relieve pressure on sterling the only other alternative, assuming devaluation remained a non-starter, would be to raise UK base rates. Such a move would reverse Britain's progress in bringing base rates down by 5 percentage points from 15 per cent since it joined the ERM in October 1990.

The move, coming when Britain is still locked in recession, would also, to ERM critics, underline the perverse results of sticking to the mechanism's rules.

But some commentators – including Mr O'Neill of Swiss Bank – think Britain will convince markets that it believes in the ERM only if it demonstrates its preparedness to increase borrowing rates as well as lower them.

Mr O'Neill said intervention was unlikely to be effective in boosting the pound. Rather, the government should immediately increase base rates by 1 percentage point. With luck, the rise in rates could soon be reversed, assuming that sterling strengthened.

He said: "If Mr Major wants us to believe the ERM is valuable, he should back up his words with action."

Peter Marsh

Key times in today's trading

08:00 Trading in London foreign exchange market opens

09:45 First details of Bank of England's money market operations issued – signalling any change in base rates

11:30 July trade balance and current account figures released

12:00 More details of Bank's money market operations

13:30 Wall Street and US foreign exchange markets open

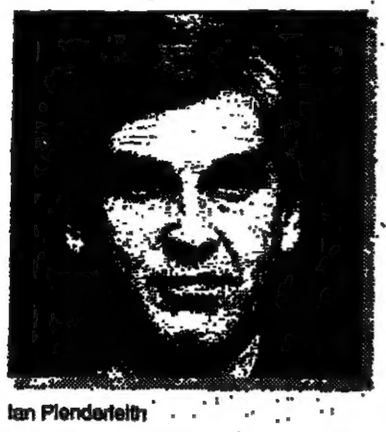
14:30 Final details on Bank's money market operations

17:00 London foreign exchange trading winds down

22:00 US foreign exchange trading winds down

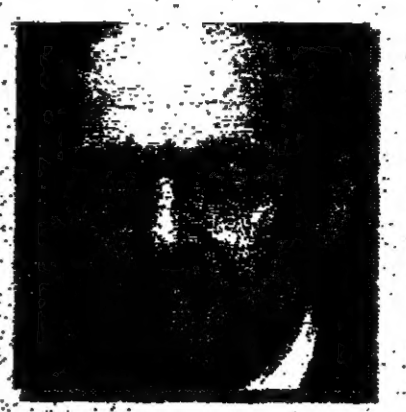
Times are British Summertime.

Eddie George



Ian Plenderleith

Tony Coleby



Alan Budd

Sir Terry Burns

Leading Bank of England and Treasury players

Top schemer: Eddie George
Chain-smoking, discreet deputy governor of the Bank of England and the brains behind its market operations. Aged 53, joined Bank in 1962, after spell in military intelligence. Hates inflation and is staunch advocate of Britain's ERM membership. Tipped to become governor when job becomes vacant next year.

Market watcher: Ian Plenderleith
Hawk-like head of Bank's market operations. Shrewd market operator, aged 48, who works in tandem with George and directs a team of 10 foreign-exchange specialists. Plenderleith works out strategy while the 10 buy and sell currencies in concert with other central-bank dealers. Relaxes by reading about archaeology.

Tactical expert: Tony Coleby
Executive director of Bank with responsibility for monetary policy. Will give general advice on world economic outlook during intervention operations. Thoughtful, brings element of cultured charm. Aged 57, occasionally lets reticence slip, when he can give thought-provoking views on UK economic outlook. Fine chorister and keen on old railways.

Shy thinker: Alan Budd
Aged 54, Treasury chief economic adviser since last year. Will help in feeding political guidance from chancellor to the Bank's market team in charge of currency operations. Amiable and intelligent, sees most sides of most problems, but still finding feet at Treasury in midst of Whitehall anxiety at longest UK recession since 1930s.

Long stayer: Sir Terry Burns
Treasury permanent secretary since last year; came to Treasury as chief economic adviser in 1980. Aged 48, great survivor of policy tussles during Thatcher years. Rugged approach may help chancellor if sterling's problems worsen. Under attack by some Tory backbenchers and City economists as being too identified with Treasury policy errors.

Business braced for rise in rates

BRITAIN'S recession-hit business community is bracing itself for an increase in the cost of money, which it says will hit investment programmes and snuff out any chances of economic recovery.

Given poor business prospects well into next year, as well as increasing alarm at the impact of possible public spending cuts, some industrialists are likely to warn that higher interest rates could turn recession into slump.

The Institute of Directors said at the weekend that many businessmen had not wanted Britain to join the European exchange rate mechanism. Others have consistently suggested that sterling entered at too high a level.

Most business leaders still support ERM membership. They now accept, however, that the price for government determination to beat inflation is likely to be a longer recession and more unemployment.

For much of this year the Confederation of British Industry has argued that interest rate reductions are the most important step towards encouraging economic revival. It has said the government's successful fight against inflation has already made possible minor, "step-by-step" interest rate cuts.

Any rates increase now, however small or temporary, would be met with deep dismay and could bring more industrial criticism of the government's handling of the economy.

With this year's spending round expected to involve particularly tough negotiations between Treasury and departmental ministers, the CBI is urging the government not to impose cuts that would further demoralise business.

Ministers have suggested that large reductions in capital programmes can be achieved, most notably in housing, roads, education and prison building.

Concern in industry about possible cuts has prompted Mr Howard Davies, CBI director-general, to write to Mr Michael Portillo, chief secretary to the Treasury. Mr Davies says that any increases in public-sector pay rates should be financed through efficiency improvements or cuts in government operations, enabling spending programmes to be maintained.

Mr Davies suggests recent planned increases in public expenditure recognised that public expenditure would continue to fund the bulk of spending programmes. He adds: "We hope that recognition is also evident in the outcome of this year's expenditure round."

Michael Cassell

US election rivals ignore dollar

THE IMPLICATIONS of the dollar's plunge are only just beginning to seep into US political consciousness.

Strange though it may seem in Europe, President George Bush and Governor Bill Clinton, his Democratic challenger, are debating the economy without even mentioning the dollar. Both men are focusing exclusively on domestic imperatives, such as the need to create jobs. Until very recently top White House officials were calling loudly for further cuts in interest rates.

This blithe indifference to the dollar may not last. On Saturday the New York Times and Washington Post ran front-page stories on the dollar's decline. Until then currency news had been relegated to business pages. As public awareness grows the Democrats may try to make capital out of the dollar's weakness, saying it is yet another sign of Mr Bush's economic incompetence.

But the exchange rate is politically a far less sensitive indicator than it is in Europe. The dollar is rarely perceived as a macho measure of economic strength, if only because few US consumers know or care what it is worth in terms of other currencies. Dollar depreciation has been widely welcomed as a way of giving US companies an edge in export markets. Mr Nicholas Brady, the Treasury secretary, and an ardent advocate of lower interest rates, frequently argues that export growth holds the key to US economic revival.

Few analysts worry that dollar weakness will threaten an acceleration of inflation. Exports and imports each account for less than 11 per cent of gross domestic product, about a third of the ratio in European economies. Higher import prices thus have little impact on the overall price level. Forecasters expect inflation to fall to between 2.5 per cent and 3.0 per cent next year as high unemployment and competitive labour markets keep a firm lid on wage rises.

A free fall of the dollar, of course, is not at all the same thing as a gradual, controlled depreciation. On Friday the dollar's plunge undermined both share and bond prices, something that the US cares a great deal about. Until then domestic markets seemed oddly insulated from foreign exchange fluctuations.

Even so, few Wall Street analysts see dollar weakness as likely to cause a revision of monetary policy. They do not believe the US Treasury and Fed will do much to "talk up" the dollar and join other central banks in periodically intervening in foreign exchange markets.

Mr Bill Griggs, a bond market expert, said: "I don't think there is any plan to raise interest rates. I don't think they feel the economy would permit it. Politically, it would be suicide."

Mr William Brown, chief economist at J P Morgan, the New York bank, said that if the economy failed to strengthen, a further loosening of monetary policy was likely. "If the growth rate is still 1.5 per cent in three months time and unemployment is trending higher, the Fed will cut the discount rate again," he said. He believes small cuts in the federal funds rate – at which banks lend to each other – are possible before then, if economic news is bad.

The view that US rates ought to fall rather than rise is not just based on worries about the sluggish domestic recovery. In the US Germany is blamed for causing turbulence in foreign exchange markets. The problem is seen primarily as an excessively strong D-mark rather than a weak dollar – which has held its value much better against the Japanese yen.

Mr Neal Soss, chief economist at First Boston Corporation, a Wall Street brokerage, said: "I would hope and expect that the Fed will not place itself in the position of the Bank of England and subjugate monetary policy to foreign exchange constraints." If the Fed were to raise rates now, he said, the US would in effect become an honorary ERM member and allow the Bundesbank to dictate its monetary policy. That would not be acceptable in the US.

The country's policymakers are keenly aware of the strains that high German interest rates are causing in Europe. They sympathise with the plight of countries such as the UK and are anxious that progress towards economic integration in Europe is not jeopardised by French rejection of the Maastricht treaty.

The Fed, at the direction of the US Treasury, has thus joined other central banks in intervening in foreign exchange markets as much to ease tensions in the ERM as to defend the weak dollar. In the short run, the strong D-mark is seen as a much bigger threat to small, weak European economies than to the US.

Fed intervention on Friday, however, did seem motivated mainly by domestic considerations. The Treasury wanted to make sure that the dollar remained firm following Mr Bush's acceptance speech at the Republican convention in Houston. In the event, the intervention misfired because it seemed to confirm market fears about the dollar's fragility. Mr Griggs said: "The dollar would probably have been stronger without any intervention."

Most US analysts believe the dollar is now chronically undervalued and will rebound as the economy recovers and the abnormal gap between German and US interest rates narrows. However, the belief that the Fed will not raise interest rates in the approach to a close presidential election creates the potential for great instability. Put bluntly, it invites speculation against the dollar and puts far too much strain on foreign exchange intervention.

The assumption that the Fed will not raise rates may, of course, be false. It has tightened policy in the approach to past elections. But if it were forced to act, it would strike a devastating blow to Mr Bush's re-election hopes.

Michael Prowse

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

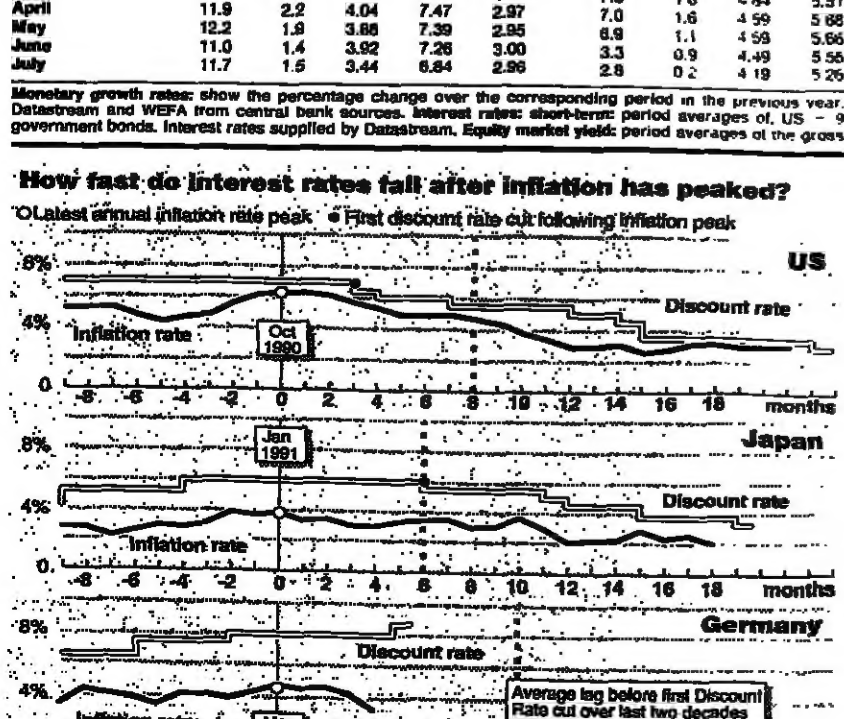
This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

	UNITED STATES					JAPAN					GERMANY				
	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	9.0	8.9	8.00	10.59	n.a.	5.0	8.4	6.62	6.51	n.a.	4.4	5.1	5.45	6.94	n.a.
1986	13.5	8.3	6.49	7.67	3.43	8.9	8.7	5.12	5.35	0.84	9.9	8.3	4.64	5.90	1.79
1987	11.6	6.5	6.82	8.39	3.12	10.5	10.4	4.15	4.64	0.55	9.0	7.3	4.03	6.14	2.21
1988	4.3	5.2	7.65	8.84	3.61	8.4	11.2	4.42	4.77	0.54	9.8	6.4	4.34	6.48	2.61
1989	1.0	3.9	8.99	8.49	3.43	4.1	9.9	5.31	5.22	0.48	6.3	5.7	7.11	6.94	2.22
1990	3.7	6.3	8.06	8.54	3.60	2.6	11.7	7.62	6.91	0.65	4.5	4.5	8.49	8.71	2.11
1991	6.0	3.2	5.87	7.85	3.21	5.2	3.6	7.21	6.37	0.75	5.2	5.6	9.25	8.44	2.38
3rd qtr.1991	6.1	2.8	5.79	7.95	3.10	6.6	2.8	7.11	6.44	0.76	5.3	5.8	9.24	8.52	2.31
4th qtr.1991	8.0	2.8	5.00	7.34	3.09	8.5	2.2	6.11	5.88	0.76	4.2	5.6	9.47	8.29	2.45
1st qtr.1992	11.0	2.9	4.17	7.29	2.90	7.5	1.7	5.01	5.49	0.88	4.3	6.6	9.62	7.91	2.31
2nd qtr.1992	11.7	1.6	3.95	7.37	2.97	5.7	1.2	4.56	5.63	1.04	6.4	7.9	9.76	7.98	2.26
August 1991	6.2	2.6	5.72	7.90	3.07	7.2	2.7	7.21	6.46	0.77	4.8	5.9	9.31	8.54	2.32
September	6.0	2.4	5.56	7.66	3.08	6.4	2.2	6.64	6.18	0.76	5.0	5.6	9.27	8.42	2.31
October	7.1	2.5	5.34	7.52	3.09	7.5	2.1	6.30	5.96	0.72	4.8	5.3	9.38	8.31	2.41
November	8.2	2.9	4.98	7.41	3.09	9.3	2.4	6.09	5.96	0.75	4.1	5.4	9.43	8.32	2.42
December	6.7	3.0	4.67	7.06	3.06	8.8	2.0	5.94	5.72	0.81	3.7	6.1	9.61	8.24	2.52
January 1992	10.2	3.1	4.09	7.02	2.87	7.6	1.8	5.15	5.45	0.83	3.9	6.3	9.54	7.91	2.39
February	11.3	3.1	4.11	7.33	2.90	7.4	1.6	5.05	5.53	0.87	4.1	6.5	9.61	7.88	2.30
March	11.5	2.6	4.29	7.52	2.94	7.5	1.8	4.84	5.51	0.93	4.9	7.0	9.70	7.94	2.25
April	11.9	2.2	4.04	7.47	2.97	7.0	1.6	4.59	5.68	1.06	7.0	7.5	9.75	7.94	2.26
May	12.2	1.9	3.86	7.39	2.95	6.9	1.1	4.59	5.66	1.00	5.8	7.8	9.79	7.98	2.26
June	11.0	1.4	3.92	7.26	3.00	3.3	0.9	4.49	5.55	1.06	6.5	8.2	9.75	7.97	2.27
July	11.7	1.5	3.44	6.84	2.96	2.8	0.2	4.19	5.26	1.10	5.5	8.4	9.78	8.01	2.37

	FRANCE					ITALY					UNITED KINGDOM				
	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	6.2	7.4	10.03	11.74	n.a.	13.2	13.5	14.34	13.71	n.a.	4.7	13.2	12.32	11.08	n.a.
1986	6.9	6.8	7.79	8.74	2.65	10.4	7.9	13.26	11.47	1.41	4.0	15.3	11.02	9.97	4.35
1987	4.1	10.0	8.26	9.46	2.75	10.4	9.8	11.32	10.58	1.94	4.7	14.6	9.77	9.52	3.60
1988	4.0	8.6	7.94	9.08	3.69	7.8	6.9	11.24	10.54	2.71	6.8	17.0	10.41	9.69	4.48
1989	8.0	9.5	9.39	8.79	2.88	7.4	8.4	12.41	11.61	2.46	5.8	17.7	13.96	10.30	4.36
1990	3.6	9.0	10.32	9.92	3.19	8.1	17.4	11.98	11.67	2.84	5.4	16.2	14.82	11.53	5.07
1991	−4.6	2.7	9.62	9.03	3.56	7.3	8.0	11.83	13.20	3.45	2.4	8.3	11.58	10.04	4.97
3rd qtr.1991	−2.1	5.4	9.54	9.05	3.60	7.0	7.7	11.60	13.28	3.31	2.0	7.2	10.82	9.97	4.80
4th qtr.1991	−4.6	2.7	9.66	8.60	3.61	9.0	8.3	11.84	12.92	3.59	2.8	6.2	10.51	9.72	5.03
1st qtr.1992	−1.4	3.7	10.05	8.48	3.40	8.8	8.1	12.04	12.65	3.40	2.2	6.0	10.61	9.50	5.00
2nd qtr.1992	−1.2	4.5	10.04	8.86	3.39	9.9	9.3	12.58	12.82	3.43	2.0	5.4	10.28	9.21	4.78
1991 August	2.7	6.9	9.59	9.09	3.62	7.8	8.1	11.69	13.43	3.31	1.6	7.2	10.94	10.00	4.76
September	−2.1	5.4	9.43	8.68	3.47	6.1	7.0	11.56	13.06	3.39	2.3	6.8	10.37	9.86	4.73
October	−3.1	4.2	9.32	8.78	3.50	7.4	7.4	11.40	12.83	3.51	2.6	6.5	10.45	9.72	4.83
November	0.8	4.9	9.56	8.82	3.58	9.0	8.3	11.66	12.92	3.58	2.9	5.8	10.54	9.77	5.00
December	−4.6	2.7	10.10	8.81	3.77	10.4	9.0	12.47	13.03	3.67	3.0	6.3	10.84	9.88	5.25
1992 January	−2.4	3.8	9.98	8.40	3.49	11.1	9.4	11.97	12.71	3.37	2.1	6.3	10.71	9.49	5.00
February	−2.0	3.7	10.06	8.44	3.40	8.0	7.5	12.04	12.62	3.31	2.2	5.9	10.44	9.34	4.94
March	−1.4	3.7	10.12	8.58	3.31	7.3	7.2	12.10	12.69	3.49	2.2	5.8	10.67	9.66	5.04
April	−1.8	4.1	10.04	8.67	3.37	9.7	9.1	12.24	12.71	3.51	2.3	5.7	10.68	9.41	4.91
May	1.0	5.2	9.96	8.58	3.33	9.3	9.0	12.24	12.80	3.45	2.5	5.2	10.13	9.06	4.81
June	−1.2	4.5	10.11	8.78	3.47	10.7	9.8	13.23	13.14	3.84	1.3	5.3	10.03	9.15	4.82
July			10.23	8.90	3.69			15.36	13.65	3.78	2.4	5.7	10.21	9.08	5.15

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. **Interest rates: short-term:** period averages of, US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor. **long-term:** period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. **Equity market yield:** period averages of the gross dividend yield on the relevant FT-A world index.

How fast do interest rates fall after inflation has peaked?



Source: Datastream, Goldman Sachs (1991)

Some time to wait before the Bundesbank budges

BUNDESBANK-watching is an increasingly popular pastime among Europe's politicians as well as financial markets operators. Only when the Bundesbank council decides to ease German monetary policy will the beads of sweat on the brows of finance ministers in London and France start to dry up. History, and the stubborn growth of German money supply, suggest they may have a long wait.

The Bundesbank's task is to secure stable prices in Germany alone. In spite of being the *de facto* central bank of Europe, it is not required to care a jot about inflation or economic growth in any other country. So, short of leaving the ERM or agreeing to an upward revaluation of the D-Mark which might encourage the Bundesbank to ease earlier, other European countries have little choice but to wait.

The Bundesbank will not budge until it is convinced that its monetary policy has been tight enough for long enough to put German inflation firmly on a downward path. Recent signs have been promising. The annual inflation rate in west Germany dropped to 3.3 per cent in July from 4.3 per cent in June, its lowest level since May last year. Wholesale prices fell by 0.9 per cent over the year to July as the falling dollar cut German import prices.

Yet, like any other prudent central bank, the Bundesbank will take some convincing. Mr Jeremy Hale, an economist at Goldman Sachs, the investment bank, has measured the average length of time that central banks in the US, Japan and Germany wait before easing policy once inflation has peaked. The chart tracks the official discount rate in the US, Japan and Germany in the months before and after their most recent inflation-rate peak.

The US and Japan provide a test for Mr Hale's admittedly rather tentative results. Concerns about the build-up of debt in the US encouraged the Federal Reserve to move unusually quickly this cycle compared to the previous four. The first cut in the discount rate came in January 1990, three months after the peak in inflation, compared to an average lag of eight months since 1970. But the Bank of Japan hit its average historic lag spot on. Inflation peaked in January last year and the first rate cut came six months later.

The German evidence is more difficult to interpret. Strictly, the average historic lag since 1970 is only two months, suggesting that, as the consumer inflation rate peaked in March of this year, the discount rate should have fallen in May. In fact, it rose in June. But this historic average is distorted by the period of global fixed exchange rates when the Bundesbank's autonomy was compromised and the discount rate was cut in April 1969, 15 months before German inflation peaked.

The lag between the inflation peak and the fall in the discount rate was 10 months in both 1972 and again in 1981-82, slightly longer than in the US and Japan, as the Bundesbank's reputation would suggest. If history repeats itself for the third time then the first cut in the German discount rate will not occur until January, as the chart implies.

Do not bet on it. Bundesbank-watching, like economics, is an art and not a science.

While history can provide clues, every cycle is different. And unification has made this German cycle especially different. The Bundesbank's credibility has since been dented twice, first when its recommendations for the terms of monetary unification were ignored and then by the subsequent acceleration in inflation.

To repair the damage and reassert its anti-inflationary zeal, the bank's council agreed an austere target for broad money growth this year of 3½ per cent to 5½ per cent. But continued rapid growth of state subsidised bank lending to east Germany means that it is still overshooting this target range. M3 grew at an annual rate of 8.6 per cent between the fourth quarter of last year and last July and is not expected to re-enter the target range this year.

So history is likely to under-estimate the time that the Bundesbank will wait before cutting interest rates. It may even raise them first. Europe's finance ministers may still be sweating in the spring.

Edward Balls

American employers are becoming more demanding of their workers, reports **John Gapper**

Redefining the three Rs

Two things are clear in the debate over the quality of American workers. The first is that employers are worried about the abilities of their employees; the second is that they are not sure what is wrong. "They do not know what the hell they are talking about. That's the problem," says Arnold Packer, director of a government inquiry into the skills that employers demand from workers.

Even employers agree with that criticism. "Most employers are not very sophisticated about what they want from workers. They only know it when they see it," says Renee Lerche, Ford's manager of employee development. Corporations complain of a range of problems from literacy and numeracy, to poor reasoning ability, and difficulty in working in teams.

Such complaints are not prompted by falling skills standards among employees. The young workers about whom employers worry have on average achieved more at school than those they accepted without complaint in the 1970s. Average scores in the Scholastic Aptitude Test for school-leavers rose in the 1980s after falling in the previous two decades. The problem comes from changing employer demands. Two trends in skill demands can be distinguished.

One trend is a growth in demand for more highly-educated workers – in particular a boom in middle-level technician jobs such as paralegals (legal assistants) and medical technicians. There is expected to be a 76 per cent growth in the number of paralegal jobs in the US between 1985 and the turn of the century.

Stephen Barley of Cornell University says this shift is caused partly by aspects of managerial work being given to technical support workers, and partly by mechanisation in plants and offices. This cuts the number of low-skilled jobs but requires more technicians to supervise machines. Most of these new technical jobs require further education for a two-year degree at an institution such as a community college.

A second trend is broader requirements for workers with basic levels of education. An example is the entrance test for workers at New United Motor Manufacturing (NUMMI) in Fremont, California. Although NUMMI does not require assembly workers to have high school diplomas, it tests recruits on their ability to work together by asking them to take part in mock group discussions about production problems and planning.

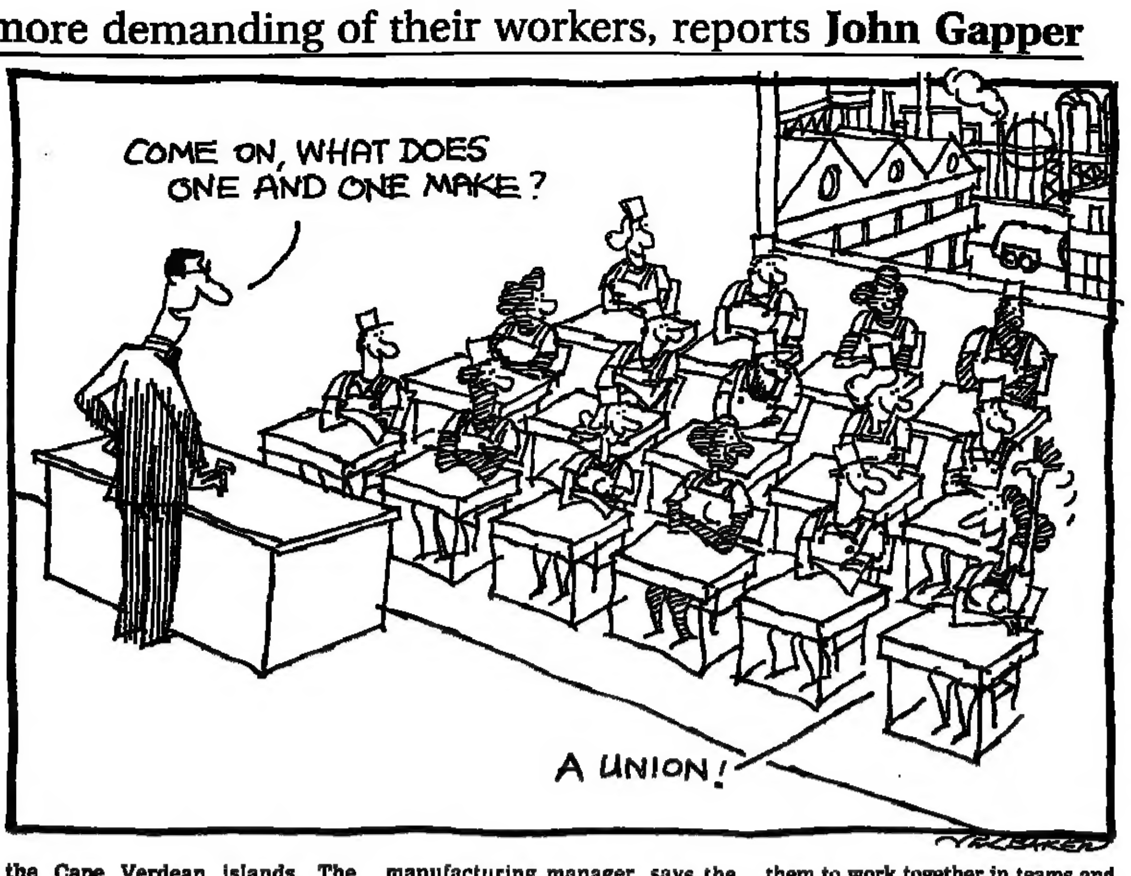
This shift in skill requirements has several strands. One is the increased need for problem-solving: devolvement of authority to lower levels in organisations demands greater intellectual skills in entry-level workers. A second strand involves attitudes. The belief that applicants lacked the attitude to adapt to the workplace was easily the most common complaint by employers in a 1990 National Association of Manufacturers survey.

Peter Cappelli, co-director of the National Centre on the Educational Quality of the Workforce at the University of Pennsylvania, argues that the requirement for employees to work in teams means that organisations are more concerned about workers being disciplined and committed to achievement. "If you reduce supervision and monitoring, bad work attitudes tend to show up more clearly," he says.

Such changing needs for workers with high school education can be seen by looking at training and re-education programmes run by US companies over the past five years. Large employers including Polaroid and Digital Equipment have spent considerable sums upgrading the skills of adult workers. They have been prompted by both skill shortages, and a tradition of investing in current workers rather than hiring others.

Such employers have been forced to define more precisely what they now want from workers. This has happened at Polaroid's camera assembly plant in Norwood, Massachusetts. Two hundred and twenty assembly line workers there have just completed courses in reading, writing and arithmetic.

Many of the workers involved in what Polaroid calls the hardware apprentice programme are first generation immigrants from Haiti or the Cape Verdean islands. The change in work organisation required them to work happily together and take responsibility for quality control on their section. Managers estimate the jobs now require formal education probably only equivalent to the sixth grade level – the standard of an intelligent 12-year-old.



Yet Polaroid believes it would have been impossible to ask the employees to work successfully in teams and solve basic assembly problems if they had not taken the lessons. Jim Mahoney, the plant's manufacturing manager, says the assembly line job in its new form needs workers to make presentations and participate in team meetings. "Without the education, it would simply have been a waste of time to send them on team-building courses," he says.

Acquanetta Farrell, Polaroid's director of technology readiness, argues that public schools are now failing to prepare students for even the most basic jobs. "In the classroom, they are told to sit down, fold their hands and shut up. Then when they leave we suddenly ask them to work together in teams and participate in making things run," she says.

Digital Equipment has had a similar experience at its software manufacturing plant in Westminster, Massachusetts. As part of a switch to team working, employees from engineers to shopfloor workers have been offered re-education in the past four years. The company believes the gains from this are hard to quantify, but it has improved quality and output at the same time as cutting the workforce from 830 to 690.

"People have much more confidence and sense of self-control and leadership," says Barbara Sinisgalli, the plant planning and development manager. She argues that there is a strong correlation between the level of education and the ability to work with other people and contribute to innovation and quality improvement.

The result of experiments such as those at Polaroid and Digital is that many US corporations are now questioning whether US high schools could provide better basic education for work. Employers in some school districts have started trying to define better the requirements of new jobs. Fort Worth Independent School District in Texas has carried out extensive job analyses in local companies to find out what pupils should be taught.

The biggest federal effort has been the Secretary's Commission on Achieving Necessary Skills (Scans) inquiry, headed by Packer, which issued its final report in April. The inquiry concluded that employees now had to have the ability to work with others and analyse information, in addition to basic thinking and reading skills. It found that teaching methods in most US schools were ill-suited to produce these new abilities.

Packer argues that the broader range of skills needed by employers means workers need to be taught how to analyse and debate in high school, and not just in colleges. But he does not underestimate the size of the challenge this presents to educators. "We are asking everyone to re-examine something they thought was settled long ago," he says.

The author is a Harkness Fellow of the Commonwealth Fund, New York. This is the second in a series of articles on US education and training. The first appeared on August 17

Grandmother's footsteps in Europe

Christopher Lorenz urges slow cross-border integration

Two years ago IBM, with its eye very much on the need for cross-border integration ahead of 1993, unveiled a far-reaching European reorganisation.

The strategy of the computer giant's move was eminently sensible: in essence, it consisted of a decentralisation around Europe of most of the regional responsibilities long exercised by IBM Europe's headquarters in Paris. But, from the very start, the precise pattern of the restructuring looked too neat and textbookish to be true.

In a set of patent political compromises, the HQ's regional responsibilities were parcelled out to the general managers of the four largest country organisations. With a new European title to his name, each took charge of strategy for one or two types of product or system, and one or two customer sectors.

The chairman of IBM Germany gained mainframe computers plus manufacturing industry; his French counterpart got telecommunications, "professional and technical services" (including maintenance and systems integration), software and IBM's internal computing systems; Italy took over mid-range machines, scientific computers and government and the public sector; while the boss of IBM UK took charge of personal computers and "Unix" open systems products, as well as the banking and financial services sector.

Sure enough, within a year two aspects of the neat reorganisation had to be reversed in rather embarrassing circumstances because they had proved inappropriate. First, responsibility for PCs was transferred back from the UK to IBM Europe; then the latter also reassumed professional and technical services from the French organisation. The principle of some businesses being run centrally was thereby reasserted.

To most IBM insiders, this episode pales into insignificance compared with last summer's much more dramatic reorganisation of IBM worldwide into a number of arm's length product/systems businesses and marketing/service units. But to the outside world it typifies the dangers of trying to create every aspect of a pan-European organisation too rapidly and too neatly.

The risks of doing so are underlined by four McKinsey consultants – though without any reference to IBM – in an article called "Creating European organisations that work", published in the latest issue of the *McKinsey Quarterly**.

Experience shows, say the consultants, that the best way to Europeanise is to shift power gradually (a tactic which IBM had been following until 1990). Most successful efforts focus initially on only a few "lead functions", where the need is most apparent and urgent and where good early results can cause a ripple effect which gradually overcomes nationalistic attitudes and practices.

Procter & Gamble, the American consumer goods group, did this by introducing a "Eurobrand" concept to bring national product managers together in a task force to thrash out common brand requirements. In another food company, the key lever was a manufacturing task force, and a freight company set up a pricing task force.

But only when such groups get down to nuts-and-bolts practicalities does commitment to a common European vision – and actual co-ordination – really start to develop, say the consultants. In addition to its main objective, the pricing task force also uncovered a need for better cross-functional co-ordination on such issues as sales management, product labelling and packaging, and distribution.

When it actually comes to realigning the power structure "short cuts do not work", warns the McKinsey team. Simply imposing a functional "head of Europe" frequently proves ineffective because such people do not have power over – and respect from – the various national operations.

When a German company appointed a European operations manager, it left control of production in the hands of its product managers in Germany. So sales and marketing companies elsewhere in Europe found they were better off ignoring the new Euro-manager and continuing to deal direct with Germany.

One obvious approach, as at IBM, is to give the managers most threatened by prospective changes part of the responsibility for planning and executing them.

* *1992 No 2. By Norman Blackwell, Jean-Pierre Bizet, Peter Child, and David Hensley.*

BUILDING CONTRACTS

Transport projects in Jordan

Three Jordanian contracts have been won by RENDEL PALMER & TRITTON. Two of them involve port installations and the third is for the railway corporation.

At Aqaba RPT has recently completed a study and conceptual lay-out for a multi-purpose berth for International Freight Services.

In a second assignment at Aqaba RPT is designing repair works, in association with a Jordanian company, Madi & Partners, for a phosphate berth which was struck by a ship last December.

The company has also been appointed by the Aqaba Railway Corporation to work on a World Bank-funded project. This entails the inspection of 2,000 tonnes of rail from British Steel, points and crossings from Balfour Beatty Engineering, and timber sleepers in Singapore before shipment to Jordan.

US highway

EVERED BARDON's mid-Atlantic division will be the primary supplier of aggregates to three large highway contracts on Route 50, the major highway between Washington DC and the Maryland state capital, Annapolis. The contracts total in excess of 750,000 tons of aggregate and have an approximate value of US$7m (£3.6m).

Housing scheme

Work has started on phase two of an initiative by Gwalia Housing Society which will eventually create 800 replacement homes in a Swansea community. The £7.7m project is being designed and built by WIMPEY CONSTRUCTION. The scheme will provide 185 brick-clad homes on an estate in Blaenymaes.

£26m Bangkok headquarters

BOVIS (THAILAND) has been awarded a US$50m (£26m) construction management contract to build a high rise headquarters in Bangkok for a local business, the Tipco Group.

Pre-construction work on the 700,000 sq ft development is now under way, with building scheduled to start early in 1993, for completion in two years.

The upper floors of the multi-storey office block will include a number of luxury apartments and other elements of the development range from restaurants to conference and leisure amenities.

Destined to become a landmark on the Bangkok skyline, the reinforced concrete frame building will feature striking glazed curtain wall facades and the interior will be equipped with high technology services.

In Greenwood, South Carolina, another Bovis Construction Group subsidiary, McDevitt Street Bovis, is to manage the construction of a textile manufacturing plant for Sara Lee Knit Products. Costing over US$80m (£41.4m), the 500,000 sq ft plant is scheduled for completion in summer 1993.

Upgrading water treatment works

BALFOUR BEATTY has been awarded a £12.5m design and construct contract for the modernisation of the Tittesworth Water Treatment Works by Severn Trent Water, with Acer Engineering acting as engineer.

The contract will be executed by an internal collaboration between the water industry unit and the central unit of Balfour Beatty Civil Engineering, with Balfour Beatty Projects & Engineering providing the detailed design.

Located two kilometres north of Leek, Staffordshire, the existing works treats water from Tittesworth Reservoir by conventional gravity clarification and sand filtration, to a design typical of its period, the 1960s.

The new works will replace the existing plant, with enhanced technology comprising clarification by dissolved air flotation (DAF), first stage sand filtration, second stage sand filtration and disinfection.

This treatment stream includes dosing systems for various different treatment chemicals and systems for waste water reclamation and sludge disposal. Also included in the contract, which is scheduled for completion in the autumn of 1994, is refurbishment of the ancillary plant.

£10m orders won by Laing companies

LAING CIVIL ENGINEERING has been awarded a £5.5m contract for the design and construction of the civil engineering works associated with the Purton Water Treatment Works.

The contract was awarded by Degremont UK, which is responsible for the turnkey contract with Bristol Waterworks Company.

The designed sustained capacity of the plant is 165 million litres per day, taking water from the Sharpness and Gloucester Canal. The process includes abstraction, raw water ozonation, clarification, rapid gravity filtration, primary disinfection, granular activated carbon absorbers and residual disinfection. The main civil engineering works will start on site in September for completion in May 1994.

Laing Offshore has been awarded a £4.5m turnkey construction contract by Phillips Petroleum Company UK, on the Lancelot gas project at Bacton in East Anglia.

Laing Offshore is to undertake the multi-disciplined project, including the mechanical, structural, civil and electrical and installation works associated with the gas receiving installation. The contract is due for completion in May 1993. Anticipated peak labour force and staff are 120 and 25 respectively.

Laing Industrial Engineering and Construction will act as the main contractor and will be responsible for the mechanical engineering works.

£18.5m workload for Alfred McAlpine

ALFRED McALPINE CIVIL ENGINEERING has won contracts with a total value of £18.5m in the south and south east of England during July.

Two contracts worth £14.8m have been awarded by Kent County Council to build sections of new roads near Ashford. Work on the A2070 Stockbridge to South Ashford road contract, worth £11.2m, started last week . This will link up with the Ashford southern orbital route, which is currently under construction. Phase II of the £3.6m Beaver Road project, the second of the two commissions, is also under way.

The company has also been awarded contracts worth around £3.7m for phase II and phase III of the Bognor Regis breakwaters project for the National Rivers Authority and Arun District Council.

Expansion at Rampton Special Hospital

CLUGSTON CONSTRUCTION has been awarded the £4.6m contract by the Special Hospital Service Authority to build a three-storey wing at Rampton Special Hospital at Retford, Nottinghamshire.

The 74-week contract includes bedroom accommodation for patients plus associated external works in the secure hospital and is part of the SHSA's investment programme of upgrading and improving its special hospitals.

The project is being supervised by the PSA. Project management is provided by CS Project Consultants on behalf of the SHSA.

It is the second major project for Clugston at Rampton. The first was a £5m project for a ward block refurbishment.

PEOPLE

The troubled jewellery chain Ratners has persuaded David Wellings, managing director of the Cadbury Schweppes confectionery business, to join the board as a non-executive director, thus giving the company three part-time directors when Sir Victor Garland retires at the forthcoming agm.

"I am not terribly interested in the kind of company where it is a question of sitting at the back of a Rolls Royce," says Wellings concerning his appointment at the loss-making company which has yet to recover from Gerald Ratner's description of one of its products as "total crap". "Rather than coasting along on someone else's success, it is a much more attractive proposition actually to be able to do something," he says.

He says that jewellery and sweets share both the seasonality – a huge pre-Christmas bulge – and, to some extent, the element of impulse buying. He also believes that, with his experience in confectionery display, he can perhaps encourage the company "to think in other directions" as to how it arranges its shops.

Wellings, 51, has known James McAdam, who stepped in as Ratners' chairman in January, since they met when advising the London Region Post Office in the mid 1980s.

After four years marketing jet fuel to airports worldwide, John Auld faces the challenge of marketing to a different type of consumer as he takes over as managing director of Kuwait Petroleum (GB).

Auld is not entirely new to the job. He was managing director of Ultramar's UK marketing arm Ultramar Golden Eagle when it was one of five companies acquired in 1987 by Kuwait Petroleum, which had recently started to develop a UK marketing operation.

As the most experienced manager from the largest of the acquisitions, Auld became acting managing director of Kuwait Petroleum (GB) for five months, before being offered the chance of heading Kuwait Petroleum International's aviation company.

He has 22 years of petroleum experience, beginning with Occidental, before 13 years with Ultramar. He returns to a company which has expanded rapidly since 1987.

"I am very excited that someone else has done all the groundwork," he says. "It will be enjoyable for me to be able to focus on one country, after running a business with activities all over the world."

Auld takes over from Brian Stanley, who becomes managing director of Kuwait Petroleum (Denmark).

■ Richard Humphreys, formerly president and joint chief executive of Saatchi & Saatchi Worldwide, who joined the BIRKDALE GROUP as a non-executive director in June, is to become group chief executive from September 1 when Neil McClure becomes group md.

■ Stephen Jones has been appointed md of Vinylex, part of HEYWOOD WILLIAMS GROUP, and chairman of Thurgar Bollé. He was previously md of Thurgar Bollé and Bardex Plastics which were acquired by Heywood Williams last year. Stephen Bridgens is appointed financial director of Vinylex.

■ Marie Bakowski has been appointed medical director of Duphar Laboratories, the pharmaceutical division of SOLVAY, in the UK.

■ Rosie Barnes, the former SDP member who lost her seat at the general election, has been appointed director of BIRTHRIGHT, the charity which raises funds for research into the health of babies and women.

■ Paul Rivers, company secretary, has also been appointed finance director of MORLAND & CO.

Press Complaints Commission

Bolland moves up

In the midst of what is proving to be an eventful summer for the Press Complaints Commission, 29-year-old Mark Bolland, who has served as deputy director since the turn of the year, has been promoted into the vacant hot seat.

The PCC, set up at the beginning of 1991 in accordance with recommendations of the Calcutt report on privacy and the press, initially took over the resources – from staff to desks – of the old Press Council. The previous director Ken Morgan left at the end of December, and now the council is peopled almost entirely with new faces.

Bolland had worked for PCC chairman Lord McGregor, who is 71 tomorrow, at the Advertising Standards Authority; he joined the PCC a year ago. He had previously been on the marketing side for IBM, and has also spent a stretch with a Toronto public affairs consultancy.

McGregor says Bolland had been told he would be considered for the directorship after a year as deputy, but that he had "been so good and effective, particularly in dealing with the staff" that he was promoted early.

The ASA experience is relevant, according to McGregor, "to the extent that both are self-regulatory bodies that have to enforce a code of practice framed by the industry and not by the self-regulatory body itself".

This autumn Sir David Calcutt is to reconsider the question of whether a law of privacy is desirable, and is expected to report to the government around Christmas. In the course of this he will be examining how effective the PCC has been since it was created.

PUBLIC NOTICES

NOTICE

to the holders of

Bell Resources Financial Services N.V. (the "Issuer") U.S. $200,000,000 5 1/4 per cent. Guaranteed Convertible Subordinated Bonds due 1996 (the "Bonds") unconditionally guaranteed on a subordinated basis by, with non-detachable conversion bonds issued by, and convertible into Ordinary Shares of A$0.50 each of, Australian Consolidated Investments Limited (previously named Bell Resources Ltd.).

NOTICE IS HEREBY GIVEN to Bondholders, further to the notice published by the Issuer on 11th November, 1991, that a declaratory judgment was given on 31st July, 1992 by the Court of Appeal in England (the "Judgment of the Court of Appeal") in respect of an appeal made by The Law Debenture Trust Corporation p.l.c. (the "Trustee") against the declaratory judgment given on 18th October, 1991 by Mr. Justice Ferris in the High Court of Justice in England as to the construction of Conditions 8(B) and 8(C) of the Bonds (the "First Judgment").

The Judgment of the Court of Appeal determined that, on the true construction of such Conditions and in the events which have happened, the Issuer was bound to redeem those of the Bonds which (a) were outstanding immediately prior to 13th November, 1991 and (b) had been deposited (with the notice of early redemption entered thereon duly completed) not less than 30 nor more than 45 days prior to that date in accordance with Condition 8(C) of the Bonds (together, the "Put Exercised Bonds"), at 117.70 per cent. of their principal amount together with interest accrued to that date in accordance with the said Condition 8(C).

The Issuer will be petitioning the House of Lords for leave to appeal against the Judgment of the Court of Appeal, which the Issuer is required to do by 31st August, 1992. The Issuer's application will be considered by the House of Lords thereafter, and the issue of whether the Issuer will receive leave to appeal is expected to be resolved by the end of October 1992 or shortly thereafter.

The Issuer has however paid to the Principal Paying Agent for the account of the Trustee the difference between the redemption price of the Put Exercised Bonds of 117.70 per cent. of their principal amount and the redemption price of those Bonds of 103 per cent. of their principal amount paid on 13th November, 1991 in accordance with the terms of the First Judgment.

In light of the Issuer's pending petition for leave to appeal to the House of Lords, the Trustee has been advised that it would be inappropriate for it to distribute moneys paid by the Issuer to the Principal Paying Agent for the Trustee's account at this stage. Such moneys will be retained in a US dollar deposit account earning interest at the current rate from time to time of the Principal Paying Agent for US dollar deposits.

A further notice will be published as soon as practicable after the House of Lords has determined whether to grant leave to appeal against the Judgment of the Court of Appeal.

PRINCIPAL PAYING, CONVERSION AND TRANSFER AGENT AND REGISTRAR

Swiss Bank Corporation, Aeschenvorstadt 1, 4002 Basle

PAYING, CONVERSION AND TRANSFER AGENTS

Banque Générale du Luxembourg S.A., 27 Avenue Monterey, Luxembourg

Swiss Bank Corporation, 1 High Timber Street, London EC4V 3SB

Swiss Bank Corporation (Canada), 207 Queen's Quay West, Suite 780, Toronto M5J 1A7

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Bell Resources Financial Services N.V.
24th August, 1992.

COMPANY NOTICES

NEW KLEINFONTEIN PROPERTIES LIMITED
(Incorporated in South Africa)
Reg. No. 01/00854/06
("NKP")

SCHEME OF ARRANGEMENT ("the scheme") PROPOSED BETWEEN NKP AND ITS SHAREHOLDERS AND CAUTIONARY ANNOUNCEMENT

BOE Merchant Bank Limited is authorised to announce that, further to the cautionary announcement on 3 July 1992, the board of directors of NKP has resolved, in principle, to reconstruct NKP as follows:

- NKP will be reconstituted as a variable rate loan stock company and application will be made to amend its listing on The Johannesburg Stock Exchange ("the JSE") and The Stock Exchange, London ("the SEL"). The listing will continue in the "Property - Loan Stock" sector of the JSE under the name of "NK Properties Limited".
- the reconstitution will be effected by means of a scheme of arrangement in terms of which NKP shareholders will be obliged to utilise the entire proceeds of a special dividend that they will receive to subscribe for new variable rate unsubordinated, unsecured debentures ("unsecured debentures") which will be irrevocably linked to the ordinary shares.

  simultaneously with the scheme, and in order to provide sufficient funds for the special dividend mentioned above, NKP will dispose of all its land holdings and mining title, together with Van Leer House, to AFC Investments Limited at a market valuation to be established by independent valuators.
- NKP will then repurchase Van Leer House at the same value at which it was disposed of for cash.
- in addition, NKP will acquire certain other income earning decentralised office properties, certain of which will be purchased for cash and others by way of an issue of linked units.

It is proposed that a detailed announcement relating to the scheme will be made on or about Friday, 11 September 1992 which will set out the salient dates and the financial effects of the scheme.

Shareholders are accordingly advised to continue to exercise caution in dealing in their shares.

Merchant Bank: BOE Merchant Bank Ltd.
Sponsoring Broker: Davis Borkum Hare & Co. Inc.
Attorneys: Cliff Dekker & Todd.

Johannesburg
24 August 1992

ARTS

Architecture

Bauhaus changes its contours

Günter Kowa finds the institution embarked on an environmental rethink

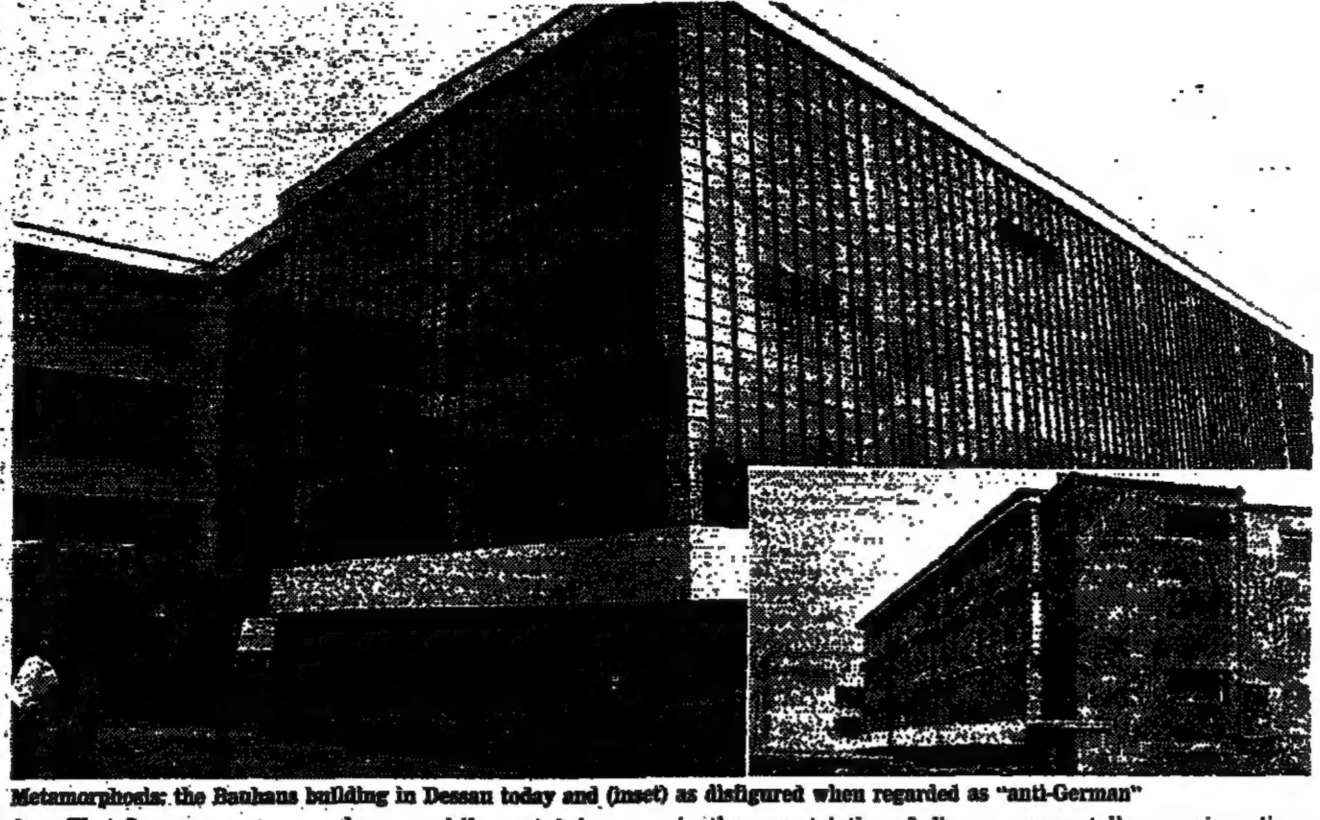
WITH his dark, bushy beard, Rolf Kuhn, director of the Bauhaus, looks an unlikely successor to Walter Gropius and Mies van der Rohe. He has inherited the fame and the burden of an institution that revolutionised 20th century architecture and design; today it is based in what appears, after 40 years of neglect, a nondescript, dilapidated town in former East Germany.

The Bauhaus, however, remains Dessau's most famous building, capable of overawing the visitor by the serene proportions of its interlocking glass and steel structures, seemingly untouched since it opened in 1924.

The perfect exterior conceals a history that Bauhaus admirers in the west are only now learning about. The institution is setting out on a course which, according to Kuhn, redefines its original purpose in the social and architectural context of the present day Germany.

Kuhn has some explaining to do, since he was appointed under the old regime in 1988. Although a communist party member, he played a significant part in the mass protest that swept through Dessau in November 1989. When he came to office, the Bauhaus was still paraded as a showpiece of the heritage preservation of which the regime boasted to the world. The further education seminars for architects conducted at the Bauhaus for many years had had little impact on the stifling monotony of the housing estates and new towns built during the 1970's and 1980's in East Germany.

The regime had discovered a grudging love for the institution late in the day – at the end of the 1960s, when Soviet scholars began to take an interest in the left-wing traditions that enlightened the Bauhaus of the 1920s. By the time a faithful restoration of the building was under way in 1970, East Germany had begun to claim separate nationhood from West Germany.



Metamorphosis: the Bauhaus building in Dessau today and (inset) as disfigured when regarded as "anti-German"

It looked upon certain monuments and historical figures as a part of its working class heritage, and the Bauhaus was given "progressive" status. During the 1950s and 1960s, the regime had taken a very different line, calling the Bauhaus "anti-German" (in blatant Nazi tradition) and anti-working class to boot, while the buildings continued to languish in their disfigured post-1933 condition.

But there are some who say that the Bauhaus after its re-opening developed into an institution which the state failed to bring under complete control. This view is shared by Rolf Kuhn, who set up so-called "Walter Gropius Seminars" two years before the collapse of the East German state. These seminars were designed to question the validity of monotonous town planning and repetitive building techniques.

By extension, the new Bauhaus, while retaining a museum function, has developed the idea of an "experimental academy" intent on the solution of the urban problems of the region, while providing a model on a far wider scale. Utopian ideals mix with hopes of a partial revival of the historical Bauhaus tradition. Environmental re-thinking is now the order of the day.

Project-oriented classes, among them the first architectural design class since the enforced closure of the Bauhaus in 1933, as well as a drama class and an environmental class, have begun to devise schemes to restore and revitalise old quarters of Dessau which have suffered from 50 years of neglect. Ideas to liven up the drabness of east German tower blocks are still being explored. No academic qualifications can be obtained, but the Bauhaus experience is seen as an enrichment of an individual's curriculum vitae.

Kuhn is optimistic. He points to the uncertainties of direction which characterised the Bauhaus during the early years at Weimar. He sees the new Bauhaus as an experiment, in which different disciplines come together to find solutions. Kuhn and others have been remarkably successful in securing government research grants.

The biggest windfall for Bauhaus may come if Kuhn's ambitious plans for a co-operation with the planned Expo 2000 in Hanover are realised. Kuhn has been canvassing a model redevelopment of the Dessau-Bitterfeld region. The Expo organisers have shown interest in including some of his plans.

The Bauhaus wants to revitalise the region, among the most heavily polluted in Europe (blighted by a moribund carbo-chemical industry, open-cast coal mining and record levels of unemployment with resulting widespread social deprivation) along environmentally conscious lines. Architecture and urban renewal, not least the restoration of many historical working-class housing estates, are seen as a part of this process, together with the development of "soft tourism" which is to reawaken interest in the very considerable landscape assets of the region.

Kuhn has named this project the "industrial garden dominion". To him, this is not a paradox, because Dessau was the centre of landscape improvement as pioneered by the enlightened 18th century Dessau court and of the German industrial revolution at its peak around 1900.

If the Bauhaus of the 1920s served the latter, the new Bauhaus, says Kuhn, has the task of wedding industrial progress and environmental consciousness. It remains to be seen if "Bauhaus" can be a meaningful label attached to an institution which has gone through so much fundamental change.

Edinburgh International Festival

Mark Morris Dance Group

MARK Morris, one of the triumphs of this year's Edinburgh Festival, has moved from the King's Theatre to that inimical barn, the Playhouse, to present a sextuple bill. The move is successful. The dances project well: the audience cheers lustily.

The programme, though it lacks the authority of *Dido and Aeneas*, demonstrates Morris's awesome range. Musical accompaniment, as always with Morris, is of high, high quality - whether with Gareth Jones conducting the Scottish Ensemble and Schola Cantorum or with Linda Dowdell at the piano. Five of the six works have been made in the last fifteen months.

Two of these are jewels - the slow, serene duet *Beautiful Day* and the fast, furious choral dance *Polka*. *Beautiful Day* is set to the brief but haunting cantata "Schlage doch, gewünschte Stunde," variously attributed to J.S.Bach or G-M. Hoffmann. Alone together, a man and a woman exist in a strange, rapt calm, caught in a spell that is larger than themselves but that includes their own delight in each other. A bell keeps chiming in the music; each time, one dancer "chimes" the other's body.

Polka is many things: folk dance, war dance, Dionysiac frenzy, cartoon explosion, polka. Barefoot, stamping, sitting, slapping, shaking heads and hands, the dancers move in a single ring, in sliding semi-circles, in opposed columns. Their non-stop and full-bodied attack has astounding vehemence; and yet the "Two to the left, two to the right" sequences also add a dash of absurdity. As so often with Morris, something apparently simple is utterly ambiguous. The piece seizes by its command of the music's metre, its pulse, its force, and its incessant energy.

The evening begins with *A Lake*, which Morris made for the White Oak Project, with whom it was seen in London this spring. A pure-dance work to Haydn's second horn concerto, it is a happy introduction to Morris's world. Men partner men, people exist as individuals and in the group, gestures and motifs recur with curious emphasis, separate events coincide with masterly harmony. Every bit is admirable, and the simplicity, weight, and fullness of phrase that the Morris dancers bring to it are highly appealing (more so than White Oak). I don't, however, "get" it as a structure; or why it is called *A Lake*.

The world of *Bedtime* is now sweet slumber, now tense nightmare. To three Schubert lieder - "Wiegenlied," "Ständchen" (the "Zögernd leiser" with back-up chorus), and "Erlkönig" handsomely sung by Lorraine Hunt - its imagery hangs between the worlds of waking and dreaming. Children are lulled, impressed, commanded, terrified and betrayed by parents.

The meanings of this riveting piece will surely multiply with further viewings. In *Three Preludes*, Morris himself is alone with Gershwin and in impish mood. His exceptional coordination and rhythmic mastery are evident; so, alas, is his big, heavy bottom.

The programme ends by bringing an "old" masterwork, *Gloria* (1981, revised 1984), to a British stage for the first time. How did he ever think of setting these anecdotes, this behaviour, to this Vivaldi Gloria? This dance shows you the highs and lows of the human spirit in bewildering array. Individuals are disregarded and rejected - but find strength and grace by themselves. Couples and even families fail - but soloists come together. People lose their private selves and discover a larger energy. The mighty shall fall flat; the lame shall dance. How Morris fits this humanist vision so firmly to this music is his secret, and *a sure* sign of his genius.

Alastair Macaulay

St. Petersburg Philharmonic

A YEAR ago the Edinburgh Festival was playing host to the leading orchestras and opera companies from the Soviet Union when the world was shaken by the August coup. Stories circulated of musicians refusing to believe the reports in the Scottish evening newspapers until they had seen for themselves pictures of Yeltsin astride a tank or Gorbachev on television returning to Moscow.

Now the Soviet Union is gone and the Leningrad Philharmonic has returned to Usher Hall, Edinburgh as the St. Petersburg Philharmonic Orchestra. This year's festival theme of Tchaikovsky must have made the orchestra's participation almost select itself. The exhilaration of its performances at the weekend will have shown that the scalding concerts given in the heat of the crisis last year were no isolated high-point.

The playing here was brilliant and full of passion. As with any of the top international orchestras, the St. Petersburg Philharmonic achieves a remarkable clarity of texture and yet its sound is never transparent in a bloodless fashion. The overall picture is of strong colours, firm outlines, vital rhythms, with every player providing a full complement of red corpuscles.

In Tchaikovsky's *Serenade for strings* the sonority of the opening (where Tchaikovsky hit upon the then novel idea of double-stopped chording) pulsated with vibrancy down through every part. The first violin section also deserves a note for its unanimity in the Elegy, which could have been the work of one player, exactly in tune, however high the part went, and producing an impassioned singing line.

The Fourth Symphony, announced by a piercing trio of trumpets, was hair-raising as a display of orchestral elan and power. Mariss Jansons now exerts an even tighter grip over this symphony than when he last conducted it London and the sense of music of such fearsome intensity just being held in check by his iron grasp only makes the final pages, when he lets everything rip, the more cataclysmic. These were two unforgettable Tchaikovsky performances, which fully justified the festival's policy of giving the well-known works a hearing too.

The pair of concerts under Jansons included two other major pieces. On Friday Shostakovich's Fifth Symphony again presented tension screwed to its tightest notch. No slackening of the pace is allowed in Jansons's Shostakovich, no brooding, no letting the attention wander; and this symphony, in which the composer was forced by political blackmail to keep his musical vision blinkered, is the most ideal Jansons material.On Saturday Mikhail Rudy joined the orchestra for a strong account of Rachmaninov's Second Piano Concerto. Where others may allow the famous main theme to droop into spineless lyricism, Jansons set a tough, march-like rhythmic tread in motion underneath and Rudy responded with playing equally firm of purpose, the weighting finely judged, poetry and passion ever just below the surface. After Edinburgh the St. Petersburg Philharmonic moves on to the Proms. It should not be missed.

Richard Fairman

Concerts sponsored by IBM United Kingdom Ltd. and The Royal Bank of Scotland.

New End Theatre, Hampstead

The Provoked Wife

SIR John Vanbrugh (1664-1726) was the architect of Castle Howard and Blenheim. He also wrote a number of plays, of which *The Relapse* with its memorable character of Lord Foppington, previously Sir Novelty Fashion, and *The Provoked Wife* remain the best known.

The Relapse was performed first - at Drury Lane in 1696. *The Provoked Wife* was performed next, but may have been written earlier – possibly when the young Vanbrugh was a soldier-prisoner in the Bastille. Nobody is quite sure about the origins of the play.

Anyway, both works are among the best of English drama. *The Provoked Wife* is playing now at the New End Theatre in Hampstead.

As a play, it declines as it goes on, but does so from a very high level. The subject is what to do about an unsatisfactory marriage at a time when the divorce laws were considerably less flexible than today. Vanbrugh's conclusion seems to be that there is nothing very much that can be done, at least until the law is reformed, but there are nevertheless some wonderful lines and situations along the way.

Sir John Brute (played by John Ashton) confesses at once that anything touched by his wife turns him off.

Lady Brute (Corinna Richards) sacrifices some of the sympathy she might deserve by openly admitting that she married him only for money. Provoked by Sir John's debauchery, she sets off in pursuit of an affair of her own.

There is also a sub-plot. Lady Fancyfull, the female equivalent of Lord Foppington in *The Relapse*, believes that she is the greatest beauty in London and is teasingly wooed by the handsome, but poor, Heartfree. "Your vanity, madam," he tells her, "I take to be about eight degrees higher than any woman's in the town."

Plot and sub-plot, servants and mistresses, all eventually come together as Heartfree falls for Lady Brute's niece, Bellinda.

But forget about the structure. *The Provoked Wife* is one of the few English sexual comedies, past or present, where the bulk of the dialogue takes place not between male and female, but instead with men talking to men and women to women.

The best example is Lady Brute talking frankly to Bellinda (Caroline Lintott) about how to woo men. There is also Carol Holt's Lady Fancyfull talking to her French maid (Adrienne Swan) who replies mainly in French and has a more worldly attitude than the English.

The male discussions are pretty open as well, not least between Heartfree and Constant (Jon Harris) who has been wooing Lady Brute for two years without success.

The difference between the two of them, Heartfree tells him, is that "I persuade a woman she's an angel; she persuades you she's one."

Apart from the comedy and farce, there is a serious play trying to get out which must have had an influence on, among others, Oscar Wilde. The writing is fine throughout; almost architecturally so.

The original text was subject to some censorship. In his main drunken scene, when he was taken before the magistrate, Sir John was dressed as a parson. A version appeared later with him dressed instead in his wife's gown. This revised version may have removed some clerical satire, but it provides more recognisable humour. The later version is rightly played here, though neither has a great deal to do with the theme.

At the end, the Brutes come together again, but it remains ambiguous whether they will stay so, or indeed whether Constant will give up his pursuit.

Production is by Tina Marshall and direction by Jonathan Best. The set is almost bare, but the absence of trappings takes nothing away from the play.

Earlier this year, I praised Pirandello's *As You Desire Me* at the same venue. If this standard is maintained, the New End Theatre will be catching up with the Bush and the Gate as small theatres that must be watched.

Malcolm Rutherford

New End Theatre, Hampstead until September 13. (071) 794 0022

International visual arts venture

THE Arts Council has spent the last few years desperately trying to shed clients, so it is something of an event that it will this week announce a brand new arts venture which will cost nearly £400,000 a year in subsidy once it is up and running.

The Institute of New International Visual Arts, or INIVA, will be an arts centre dedicated to promoting contemporary artists from Africa, the Caribbean and Asia. As well as gallery space there will be education, research and publishing facilities.

Already £277,000 has been committed, including £47,000 from the London Arts Board, to develop the idea and to get the creative work underway while the search goes on for the disused factory, or empty warehouse, or even purpose built structure, which will be home to INIVA.

Originally Kings Cross was the favoured location but now the Arts Council is talking to Lambeth, and Kensington and Chelsea Councils, both of which have received City Challenge money from the Government. A local authority will ideally supply the building while the Arts Council meets the running costs.

INTERNATIONAL ARTS GUIDE

FESTIVALS

BAYREUTH
The final week of this year's festival sees the last-ever performances of the Kupfer-Barenboim Ring, first staged in 1988. Siegfried today, followed by Götterdämmerung on Wed. Der fliegende Holländer will be performed on Thurs, and the festival ends with Tannhäuser on Fri.

Next year, there will be a new production of Tristan und Isolde with Siegfried Jerusalem and Waltraud Meier. The next Ring performances will be in 1994. (921) 20221

EDINBURGH
Drama: two plays in the C P Taylor retrospective can be seen this week. The Black and White Minstrels – a study of the moral, political and sexual double-standards of the modern liberal – opens tonight at Church Hill Theatre. Operation Elvis – the story of a ten-year old boy obsessed with Elvis Presley - opens tomorrow in the Corn Exchange.

There are *also* two Harley Granville Barker plays: The Madras House (1910), described as a serious comedy with an unusually strong feminist theme for its period, can be seen at the Lyceum in a production by the Lyric, Hammersmith.

Tomorrow at St Bride's Centre, Orange Tree Theatre of Richmond gives the world premiere of His Majesty, published in 1928 but never previously staged.

The National Theatre's acclaimed production of Lope de Vega's Fuente Ovejuna, about a small town's revolt against a brutal overlord, is showing at the Assembly Hall.

Opera and ballet: Mark Morris Dance Group gives a final performance tonight in the Playhouse.

Claudio Desderi and Elisabeth Söderström star in tonight's double bill of Cimarosa and Poulenc at the King's Theatre. Opera North's Tchaikovsky double bill – Yolanta and The Nutcracker – opens at the King's on Wed.

Concerts: Franz Welser-Möst conducts the LPO in a Bruckner programme tonight at the Usher Hall. Klaus Tennstedt conducts Beethoven and Strauss tomorrow.

Donald Runnicles conducts the Scottish Chamber Orchestra on Wed, with Isabelle Vernet soloist in Berlioz's Les Nuits d'Eté.

Paul Daniel conducts the English Northern Philharmonia in Tchaikovsky *on Thurs, followed* by the Royal Scottish Orchestra's Hamlet programme under Rozhdestvensky on Fri. Sat: 18th century Scottish music. Sun: Neeme Järvi conducts the RSO.

Recitals: the morning series at Queen's Hall features Peter Donohoe today, Isabelle Vernet in a programme French songs tomorrow, Uwe Heilmann singing Schubert on Wed and the Bartok String Quartet on Thurs and Fri.

● The official festival runs till Sep 5: telephone bookings (31) 225 5756, 24-hour information service within UK 0891-600 304. The Military Tattoo ends on Sat: (31) 225 1188. Festival Fringe: (31) 226 5257

GSTAAD
The Alpengala programme includes concerts by the Zurich Chamber Orchestra tonight and tomorrow, followed by visits from two London orchestras – the Royal Philharmonic conducted by Yehudi Menuhin (Fri and Sat) and the London Symphony conducted by Michael Tilson Thomas (Sep 11 and 12).

Bruno Leonardo-Gelber gives a piano recital on Sep 1, and there is a concert performance of La traviata on Sep 5. Ends Sep 12. (30) 47173

LUCERNE
Yuri Bashmet and Anne Sophie Mutter join the Collegium Musicum Zurich for a performance of Mozart's Sinfonia *Concertante K364 tonight* at the Lion Monument.

Riccardo Chailly brings the Royal Concertgebouw Orchestra to the Kunsthaus tomorrow and Wed, followed by a Pollini recital on Thurs. Fri and Sat: Sinopoli conducts the Dresden Staatskapelle.

Sun: Claudio Abbado conducts the Berlin Philharmonic in a gala concert in aid of Lucerne's planned new concert hall.

Next Mon: Abbado conducts a second BPO concert, and next Tues he presents the prizes to winners of the street music competition, one of the innovations at this year's festival. Later in the festival, there are concerts by the Scottish Chamber Orchestra, the St Petersburg Philharmonic and the Orchestre National de France. Ends Sep 9. (41) 235272

SALZBURG
The final week of the festival includes something for everybody. Lovers of no-nonsense opera productions can opt for Le nozze di Figaro (tomorrow and Sat) or Die Frau ohne Schatten (Wed) in the Grosses Festspielhaus. The Mozart is conducted by Haitink and the Strauss by Solti.

Opera performances with the more adventurous stamp of Gerard Mortier's new regime include Luc Bondy's production of Salome in the Kleines Festspielhaus (Thurs and Sun), Peter Sellars' staging of Messiaen in the Felsenreitschule (tomorrow and Fri) and the Herrmanns' staging of La finta giardiniera at the Landestheater, starring Anne Sofie von Otter (tonight, Wed, Fri and Sun).

Recitalists at the Mozarteum include Nicolai Ghiaurov (thurs) and Cheryl Studer (Sun). Frans Brüggen conducts three Mozart matinees at the end of the week, and there are solo recitals by Yo Yo Ma (tonight) and Alfred Brendel (Sun).

Pierre Boulez conducts the Los Angeles Philharmonic tonight and the Vienna Philharmonic on Sun morning. Claudio Abbado conducts the Berlin Philharmonic on Thurs and Fri. There is a final performance of Jedermann in the Domplatz on Sun. (662) 846682

SAN SEBASTIAN
The programme for the final week includes concerts by the Prague Chamber Orchestra with Josef Suk (tonight), the Bilbao Symphony Orchestra conducted by Lionel Friend (tomorrow) and the Frankfurt Radio Symphony Orchestra (Sat and Sun).

There will be an evening of basque dances on Wed and a piano recital by Christian Zacharias on Fri. (43) 481238

STRESA
Martha Argerich and Alexandre Rabinovich give a recital for two pianos tonight. Peter Maag conducts an orchestral concert tomorrow, and the Cleveland Quartet gives a recital on Sat. Shlomo Mintz directs the Israel Chamber Orchestra in a concert on Sun. Next week's recitalists *include Alexis Weissenberg*. Ends Sep 17. (323) 31095

TANGLEWOOD
The final week of this year's programme is devoted to popular artists: James Taylor tonight, Ray Charles and the Modern Jazz Quartet on Fri, Mel Tormé and Maureen McGovern on Sat and Wynton Marsalis and the Dave Brubeck Quartet on Sun. Ticketmaster Boston (617) 931 2000 New York City (212) 3077171

TURIN
Settembre Musica opens on Sat with Rossini's Il barbiere di Siviglia conducted by Paolo Carignani. There are concerts by the St Petersburg Philharmonic on Sep 1 and the Beaux Arts Trio on Sep 4. Mariella Devia gives a Rossini song recital on Sep 7, and Franz Welser-Möst conducts the Hague Philharmonic on Sep 8 and 9. Other visitors to the festival include Maria Joao Pires, Vladimir Ashkenazy and the Royal Concertgebouw Orchestra. Ends Sep 19. (11) 576 5564

VERONA
Lorin Maazel conducts tonight's concert performance of Porgy and Bess. Tomorrow and Fri: Aida. Wed and Sun: La bohème. Thurs: Nabucco. Sat: Don Carlo. This is the final week of this summer's Arena performances. (45) 590109

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY
CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY
CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY
CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Monday August 24 1992

Policy choice for US voters

RHETORICALLY, the choice of economic policies being offered to American voters looks familiar. The economy needs a stimulus: the Republicans offer tax cuts, the Democrats a large programme of public investment. Mr Bush looks back to President Reagan, Mr Clinton to President Roosevelt; or to put it in oppositional terms, Mr Bush wants to make the rich richer, Mr Clinton to tax and spend.

The reality is totally different. Both programmes are based on unrealistic arithmetic; more important, the president's proposals have no chance of being put into action, short of a wildly improbable upset in the Congressional elections. The real choice is whether to continue with the contest which has kept the president and the legislature deadlocked for the last four years, or to take the risk of an active, interventionist president with Congressional backing – an activist who will have to learn on the job.

Despite the clear disillusion of voters, there is something to be said for the deadlock they have so far chosen to perpetuate. Mr Bush inherited an appalling mess – not only a huge Federal deficit, but a largely bankrupt financial system. Keynesians might argue that it is only the deficit which has prevented large-scale private default from pushing the US economy into a slump. In any case, the largely unintended Bush strategy of tackling financial reform with energy, but leaving the deficit on the back burner, has worked out quite well.

Signs of recovery

The economy still looks flat, but thanks largely to the Federal Reserve and a floating exchange rate, it is in fact recovering. Slow export-led growth should continue were the president to win re-election, though as the Organisation for Economic Co-operation and Development has forecast, there is unlikely to be much acceleration. It is not an inspiring prospect, but the president's friend Mr John Major would settle for it.

The president's domestic frustrations have also had a welcome result. They have driven Mr Bush into concentrating on what he knows best, the international scene. Some of the results – continued G7 co-operation (low-level, but better than squabbling), the Brady debt relief plan, and most promising the North American Free Trade Area – have been bright features in a dark scene. If Mr Bush could give Mexicans a vote, he would win in a landslide.

At the same time it must be said that the president's domestic proposals are ill-considered, unimaginative, and unworkable even if they were desirable. His hurriedly promised tax cuts, a concession to his right wing, rely on capping spending on entitlement programmes such as government health care programmes. His opponents must wish that anyone believed this to be a serious proposal, for it would guarantee them the votes of nearly everyone over 50. But in fact it is simply an advance script for attacking Congress. For the rest, the deficit would be limited by what Mr Herbert Stein, a Republican economist, once decribed as President Reagan's one important fiscal innovation, the asterisk – used in Reagan budgets to mark spending cuts yet to be identified.

Clinton's plan

Mr Clinton's proposals are more carefully considered, and serve desirable ends – an improved infrastructure, better education, welfare conditional on willingness to work, and investment incentives for the private sector. The package would also, according to some Wall Street analysts, give a strong boost to activity. However, outsiders must wish that the Republican insult, tax and spend, were more accurate.

The spending proposals are clear, but the tax proposals do not match them, as a distinguished Democrat economist, Ms Alice Rivlin, has pointed out. Some are also objectionable, notably the usual demagogic promise to tax foreign corporations more heavily; and this is a suggestive mistake, as is the heavy reliance on defence cuts. There is a disturbing streak of isolationism and protectionism in the Democratic party, both among grassroots supporters and such senior figures as the House majority leader, Mr Richard Gephardt. Mr Clinton is an intelligent and pragmatic figure, and may resist these pressures; but if he wins the voters' support, he must expect a wary welcome in the outside world.

For richer, for poorer

IN THE three weeks since Imperial Chemical Industries announced its proposal to divide itself in two, outside opinion has divided itself with equal neatness. For its admirers, the plan is a radical example of long-term industrial strategy. For its critics, it is a transparent piece of financial engineering. Doubtless, the plan contains elements of both. On balance, ICI perhaps deserves the benefit of the doubt.

The critics' case is simply put. Historically, ICI has lived within its means, rather than seeking cash from its shareholders. For whatever reason, this has now changed. The company proposes to raise new equity, reputedly in excess of £1bn. But ICI has for decades been bedevilled by a low stock market rating, chiefly because of the cyclical nature of its bulk chemicals business. Raising equity capital is thus expensive and inefficient. Drug companies, on the other hand, enjoy high stock market ratings. The answer is to split off ICI's drug business, load it with all the group's debt and use its higher stock market rating to repay the debt cheaply.

Conservative culture

While this doubtless adds to the plan's appeal, it is unlikely to be the main motive. To begin with, it would be out of character. ICI is a company which commands respect in many ways. Few of them are financial. The company's culture is characteristic of its industry: conservative, inward-looking and preoccupied by technology and markets rather than short-run financial advantage.

It is in this context that the radical nature of the demerger must be understood. ICI, like many of its US and European rivals, represents the classic model of the giant chemical concern. Starting a century ago, the model progressed from basic alkalis and dyestuffs to absorb successive technologies such as plastics, agrochemicals and pharmaceuticals. Some of ICI's rivals have lately shed related businesses – Union Carbide, its industrial gases; Monsanto, its process controls. None has taken the basic model and carved it down the middle.

One obvious question is why not. Other chemical companies might reply that the various parts of their business employ common research and technology. ICI would reply that this is only partly true. Various biological and genetic techniques apply across the fields of pharmaceuticals, seeds and agrochemicals. They will be duly grouped together. There are links between inorganic chemicals and polymers and between paints and explosives, which will form the other group. Between the two groups there is little in common.

The same argument could be reversed: that no single individual in ICI fully understands the business as a whole, from the genetic engineering of plant seeds at one extreme, to the operation of giant ethylene crackers at the other. ICI is in that sense a diversified conglomerate. Hanson or BTR could doubtless run it after a fashion. ICI's own managers may lack the necessary skills. If so, the burden of proof lies the other way: if ICI is too big to handle, why should it stay in one piece?

Exposure to the cycle

One traditional answer would be that the different parts of the business provide stability through the economic cycle. Bulk chemicals go from boom to bust and back again. Agrochemicals work on a cycle of their own. Pharmaceuticals have no perceptible cycle at all. Although this is in fact a fair description of what has happened within ICI over the past 20 years, it may not be relevant. Other industries – paper and pulp, for instance – expose themselves fully to the vagaries of the cycle. The element of stability is provided by the capital markets and the banking system.

It may not be a coincidence that the two clearest examples of outright demerger in the UK over the past decade – Bowater and Courtaulds – have proved successful. Bowater US remains a large paper company, while Bowater UK is a significant force in packaging. Courtaulds Textiles has held its own, while the remainder is a successful chemicals company. Perhaps there really is something liberating about allowing managers to concentrate on a business which they can comprehend. In ICI's case, it at least seems worth a try.

Iraq's intransigence and Arab-Israeli talks provide opportunities for President Bush, say **Roger Matthews** and **Tony Walker**

Peace hopes and war fears

The threat of war in the Middle East will again dominate Washington's foreign policy agenda this week, pushing into the background negotiations that could lead to a breakthrough in the seemingly intractable conflict between Israel and its Arab neighbours. For President George Bush, fresh from launching his re-election campaign in Houston, it is a dual opportunity to prove to a sceptical electorate that his qualities of international leadership more than offset the doubts about his handling of an ailing economy.

The issue of war is again dictated by President Saddam Hussein of Iraq and the unfinished aspects of the Gulf war. Last week in Houston Mr Bush claimed credit for the collapse of communism and the Soviet empire, the reunification of Germany, the staging of Middle East peace talks, and even the improvement in race relations in South Africa. But his supposedly greatest personal triumph, the victory over Iraq in the Gulf War, is beginning to turn electorally sour.

President Saddam Hussein, probably with an eye on Mr Bush's re-election campaign, has chosen this time to intensify his defiance of the conditions imposed on him by UN Security Council resolutions at the end of the war. He will not allow UN inspectors to visit ministries in search of evidence relating to weapons of mass destruction; he has denied visas to other UN staff overseeing aid efforts; and most frightening of all, he is said to be preparing his army for another large-scale assault on the Shia population in the south.

It is not a challenge that Mr Bush can ignore and, unlike the disaster of Bosnia-Hercegovina, it is not one that can so easily be evaded by references to "quagmires" and Vietnam. Together with Britain and France, the US has responded by planning an air security zone at the 32nd parallel below which Saddam's aircraft will be forbidden to fly.

The details are expected to be announced tomorrow. It is aimed at delivering a further blow to the prestige of the Iraqi leader and to offer limited protection to people in the south, particularly in the marshes north of Basra, where the Iraqi army finds it difficult to deploy armour and heavy artillery.

But it is also likely to prove an open-ended allied commitment to protect the people of southern Iraq who number more than 50 per cent of the population. With protection already being given to the Kurds north of the 36th parallel, it brings closer the division of Iraq into three distinct parts and the eventual involvement of the allies in the country's political reorganisation.

Baghdad is unlikely to challenge the air ban, but if it continues to pursue the Shia, the allies will have to decide if they are prepared to attack Saddam's forces on the ground, increasing the risk of full-scale hostilities against Baghdad.

An extended conflict brings wider regional repercussions. Opponents of superpower involvement in the Gulf, such as Iran, have already warned the US to stay away from Iraq, while Jordan and Syria, two of the participants in this week's Arab-Israeli negotiations in Washington, have also objected to the air exclusion zone.

Jordan and Syria will this week be attempting to gauge, along with the Palestinians and Lebanon, just how much the peace process launched last October in Madrid can be advanced following the June elections in Israel and the extent to which the US remains committed to its success.

The more pragmatic approach of Mr Yitzhak Rabin, Israel's new Labour prime minister, to the demands of the Palestinians living under occupation since 1967 contrasts sharply with that of his predecessor Mr Yitzhak Shamir. In the wake of defeat, Mr Shamir admitted his aim had been to negotiate for 10 years if necessary, during which time so many Jews would have been settled in the West Bank and Gaza that the territories would become irreversibly part of Israel.

It was that determination to continue building settlements, considered by the international community to be the biggest obstacle to peace, which made the US deny Israel the $10bn in loan guarantees it was seeking to absorb new immigrants. The Labour government said from the outset that it was prepared to freeze most new settlement building not required for security – although it will complete more than 10,000 apartments under construction – and wanted to negotiate within nine months a form of autonomy for the Palestinians. On the basis of that encouraging statement, Mr Rabin was welcomed to the US earlier this month and returned home triumphantly with the promise of the $10bn in loan guarantees.

American unwillingness to insist on a total ban on new settlements caused no more than a temporary hesitation among the four Arab delegations about travelling to Washington. They complained about a US tilt towards Israel, hoped that it would resume an "honest broker" role, but tacitly acknowledged that proposals could emerge in Washington which will interest them.

Mr Rabin would probably like to press ahead more quickly in negotiations with the Palestinians than with Syria, but has been told by the US that it would be "unhelpful" if the parallel discussions did not proceed roughly in tandem. Israeli observers say that in spite of the improved negotiating climate, Mr Rabin will prove especially tough on all security issues. They note that he has retained Mr Elyakim Rubinstein as the chief negotiator with the Palestinians, a decision designed to underline his security concerns.

But Mr Rubinstein's reappointment has been balanced by the selection of Professor Itamar Rabinovich, an expert on Syria and a pragmatist, to lead the team negotiating with Damascus.

Arab negotiators like to emphasise that UN resolutions lie as much at the heart of their negotiations as they do in the conflict between Iraq and the western allies. In the case of the Arab-Israeli conflict, it is resolutions 242 and 338, passed after the 1967 and 1973 Middle East wars, which call for the return of territories occupied by Israel and assert the inadmissibility of the acquisition of land by force. For Syria that means regaining control of the Golan Heights and for the Palestinians it means achieving self-determination in the West Bank and the Gaza Strip.

"Let's see now if the US will be as keen on UN resolutions affecting Israel as it is on enforcing those on Iraq," an Arab diplomat commented.

The core of the Israeli-Palestinian talks for the next month will be on an interim self-governing authority in the West Bank and Gaza to administer the territory for five years. During the final two years, negotiations will be held on the precise borders and status of the territories. The Palestinians tabled their concept of the Palestinian Interim Self-Governing Authority (Pisga) in Washington on March 3. It is the embryo of an independent state.

"The success of the transitional process is only possible if the Pisga is vested with all the powers of a true self-governing authority," asserts the Palestinian document.

The Palestinians will press for elections to a 180-member legislature, together with a 20-member executive council and a judiciary. Israeli officials, baulking at anything which hints at a Palestinian state, said recently that a much smaller "self-governing authority" would be sufficient.

Mr Faisal Husseini, the leading Palestinian in the territories, argues that the numbers issue is not so important. "What we want to be sure is that the source of authority is a Palestinian one, that the source of legality is a Palestinian one.... It is not the numbers: it is the principle."

In one important respect the assumptions underlying discussions on elections will be very different following the change of Israeli government. Whereas Mr Shamir was at best offering municipal elections covering about 30 per cent of the population of the West Bank and Gaza, Mr Rabin is talking about a poll encompassing all the territories with their population of about 1.75m.

The Palestinians, in their preparations for Washington, have formed no fewer than 37 committees to plan for the transfer of authority over such functions as health, education and social welfare.

The Camp David accords negotiated between the US, Israel and Egypt in 1978 and reviled at the time by the Palestine Liberation Organisation and almost all Arab governments, provide the fullest offer made by Israel for Palestinian autonomy and accepted "the legitimate rights of the Palestinian people and their just requirements". But in the nearly 14 years since then, the number of Jewish settlers in the territories has increased to 110,000, and the Palestinian uprising, which started in 1988, has intensified the bitterness on both sides.

The suggested 20,000-strong, locally recruited Palestinian police force, operating in areas vacated by the Israeli military as envisaged in Camp David, would be sure to be resented by militant Jewish settlers whose future must seem less secure in the wake of Mr Rabin's electoral victory.

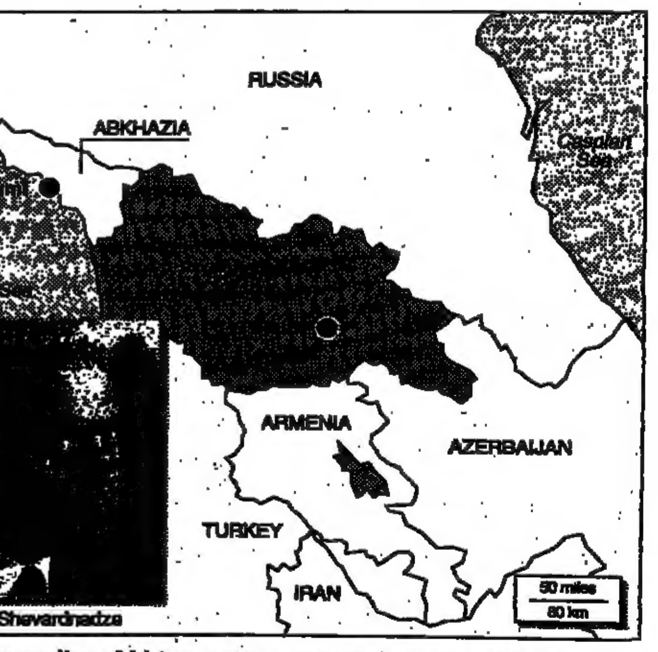
Syria, robbed of the security umbrella and assured arms supplies provided by the former Soviet Union, may prove marginally more flexible in its demands for the unqualified return of the Golan Heights. Mr Rabin is said to be willing to discuss shared sovereignty and US troops being stationed on the Heights. But in return Israel would insist on a full peace, a prospect that many Israelis suspect would be too much for President Hafez al-Assad to accept.

Few of the parties to the conflict doubt, however, that for negotiations to have reached this stage, a massive diplomatic effort was required by the US and in particular by Mr James Baker. And therein lies the main reason for continued caution about the prospects for real progress. Mr Baker, who yesterday took over as White house chief of staff, is now far more concerned about the uphill task of getting Mr Bush re-elected than with monitoring the peace talks.

Mr Lawrence Eagleburger, his acting successor at the State Department, is unlikely to be able to devote the same time or energy to the issue. And all the time, forcing himself on American public attention is the man Republican party leaders refer to as the "Baghdad bully". They know that in the next 10 weeks he can damage the president's electoral chances far more than peace talks can boost them. Deep in his Baghdad bunker, President Saddam Hussein may not fully appreciate just how much Mr Bush wants his political scalp.

Georgia's statesman gets tough at home

The republic's age-old conflicts are testing the patience of Eduard Shevardnadze, writes **Steve Levine**



Eduard Shevardnadze

Eduard Shevardnadze, whom westerners have long regarded as a conciliatory statesman, has once again proven that he also knows the nastier side of politics. This is not surprising. The 64-year-old former Soviet foreign minister, who proved throughout his career that he is a realist, learned the political ropes as Communist party boss of the former Soviet republic of Georgia.

That is the reason, his supporters say, Mr Shevardnadze, a key member of Georgia's current ruling presidium, sent in the tanks last week to crush separatist Abkhazians after they kidnapped 12 of his senior officials.

"There was no way out," says Mrs Irina Sarishvili, a Georgia State Council member who backs Mr Shevardnadze. "The ministers were hostage. If we didn't send them [the tanks] in, the people would think, 'what kind of people are you'?"

The question now is whether Mr Shevardnadze, who contributed greatly to the remoulding the old Soviet Union, can now make the birthplace of Mr Josef Stalin look squarely at its own internal problems and change. Despite Mr Shevardnadze's enormous international prestige, the challenges are great.

In this task, the picturesque nation of 5.4m people, mythologised by the Greeks, has already chosen to go it alone. It is the only former Soviet republic outside the Baltic region not to join the Commonwealth of Independent States.

In addition to securing the dangerous streets of Tbilisi, the capital, and bringing home troops from the separatist regions of South Ossetia and Abkhazia, Mr Shevardnadze must rebuild an imploding economy. Georgia's output fell by a quarter last year, after dropping 5 per cent in 1989 and 12 per cent in 1990, and the International Monetary Fund predicts that this year will probably be worse.

The key to economic improvement, analysts say, will be the outcome of the October 11 elections for the republic's new parliament, which will replace the unelected State Council. Assuming that Mr Shevardnadze retains a leadership role, say his admirers, the silver-haired politician will enjoy an undisputable mandate. Whether the country is to led by a prime minister or president has yet to decided, and so Mr Shevardnadze's role after the elections remains unclear.

The key to economic improvement will be the outcome of the October 11 elections for a new parliament

At it stands, Mr Shevardnadze is just one of four members of the State Council Ruling Presidium, where his pragmatism collides directly with the militarism of the defence minister, Mr Tengiz Kitovani. Mr Kitovani's detractors say he has exacerbated that violence that has debilitated Georgia since January, when President Zviad Gamsakhurdia was deposed in a revolt by his former allies.

"The minister of defence has great influence. He has the army under his control. This influences the situation all over Georgia, because the army is the strength in the country," says Mr Ivliani Haindrava, a State Council member and leader of the Georgian Republican party. "We hope that the parliamentary elections will somehow change the situation, and I think they will."

There is a lot to overcome. The first is the region's history. The last eight months have shown that Georgians, as with their bretheren throughout the former Caucasus Mountains, are quick to resort to violence to settle political disputes – a characteristic, historians say, that is almost unbroken in time.

Indeed, throughout the region Caucasians are fighting obscure wars. The most prominent pits Armenians against Azerbaijanis in the enclave of Nagorno-Karabakh. But there also has been violence in the autonomous region of Daghestan, Chechenia, Nakhichevan and north Ossetia, in addition to south Ossetian and Abkhazian battles with Georgia.

East and west Georgians have fought since at least the ninth century and, after Mr Gamsakhurdia fled, they enthusiastically resumed a war that had been interrupted only by the 70-year Soviet rule.

The Abkhazian conflict is a good example of the age-old disputes that have festered in the region. The Georgian claim to the mountainous, seaside region goes back to the fourth century BC, when Georgia was populated by the Kolkh tribe in the west and the Iberian in the east. Abkhazian tribes arrived only 600 years later, Soviet historians say - showing that Georgians are legitimate heirs to the disputed western territory, not the Abkhazians, whom the Czars and Soviets granted autonomy. The Georgians note that west Georgians now comprise 45 per cent of Abkhazia's population, and Abkhazians just 18 per cent.

The Abkhazians, of course, have their own reading of history, arguing that they comprise merely 100 per cent of the population a century ago, but that Mr Stalin changed the demographics by moving in his native west Georgians.

Even his biggest supporters concede that Mr Shevardnadze had to expect complications if he sent troops into Abkhazia, where, among other complaints, he said that bandits were robbing cargo trains and lorries headed south. It was the pragmatic Mr Shevardnadze, not the better-known conciliatory one, who acted when Abkhazian leader Vladislav Ardzinba declared independence, and Georgian interior minister Roman Zventsadze and 11 others were abducted.

Announcing that the army would secure Abkhazia's railroads and port against banditry, Mr Shevardnadze said nothing when Mr Kitovani proceeded to seize the local capital outright despite resistance by Mr Ardzinba's supporters.

It was the pragmatic side of Mr Shevardnadze which also surfaced in January, when Georgians deposed Mr Gamsakhurdia at the point of an artillery barrel. In explaining the coup, the former foreign minister said straight-faced: "It was not so much a violent takeover as a conflict between an authoritarian regime and democratic forces which were supported by armed formations."

Many Abkhazians don't consider Mr Shevardnadze a great conciliator, and journalists who have seen Mr Ardzinba in his stronghold of Gadauta say he is digging in for a long fight. "This land has been ours since 1931, but the Georgians still think it's theirs," says Mrs Patrulya Karbiyev, an Abkhaz woman who was hiding in her Sukhumi home last week as Georgian troops patrolled the streets.

Mr Shevardnadze the realist has been heard to say he has never had a tougher job. Indeed, supporters believe he may even be forced to retain Mr Kitovani as defence minister to avoid even worse upheaval in the future. Few expect a stable Georgia soon.

"Georgia has no tradition of democracy, and no control over its military forces. You can't expect us to become a highly developed, democratic country in just two or three years," says Mr Haindrava, the Republican Party leader. "We must change our mentality. We need time."

Town Hall 2: just when you thought it was safe...

The new council tax threatens to worry taxpayers and their MPs almost as much as the poll tax, writes **John Willman**

Like the bloodcurdling alien which returns periodically from apparent death to terrorise filmgoers, local government taxation is threatening to rise again as a political issue. The government may have believed that it had killed off the monster of the poll tax, which threatened electoral defeat and helped to topple Mrs Margaret Thatcher. But with just over seven months until its final interment, terror stalks the Tory heartlands as the unfamiliar features of the council tax come into focus.

Last week, Sir Rhodes Boyson, the former local government minister, warned that the government was climbing "out of one treacle well into another" in its reform of local taxation. Rumblings on the backbenches can be expected to grow in the run-up to the Conservative party conference in October, particularly from MPs in southern constituencies *which are expected to do badly* from the changeover.

Some of the alarm is misconceived – partly encouraged by the complex structure of the council tax, which was carefully designed to stop profligate councils from milking wealthier property-owners in the way that some did under the old rating system. Homes will be allocated to one of eight valuation bands, according to their capital value on April 1 1991. The tax to be levied on property in the top band will be three times that on the bottom band to avoid swingeing imposts on the well-to-do.

Band	Value	Government estimate in 1991 (£)	Likely outturn (£)	% properties falling in band
[illegible]	[illegible]	[illegible]	361	[illegible]
[illegible]	[illegible]	[illegible]	419	[illegible]
C	£52,000–£68,000	356	479	20
D	£68,000–£88,000	[illegible]	539	17
E	£88,000–£120,000	[illegible]	657	13
F	£120,000–£160,000	[illegible]	776	8
G	£160,000–£320,000	[illegible]	909	6
H	Over £320,000	800	1,078	[illegible]

Source: [illegible] Chartered Institute of Public Finance and Accountancy

One consequence of this banding is a sizeable tax increase for a home which just creeps into a higher tax band. As the figures prepared by the Chartered Institute of Public Finance and Accountancy (Cipfa) show, a home worth about £120,000 is likely to face an average tax bill of £657 if it is in band E, £776 in band F. The differences in some local authorities will be much higher than these average figures: Cipfa estimates, for example, that the step up could be more than £150 in the highest tax councils.

Experts in local government finance have been warning for some time that such jumps in bills between bands will make the valuation process much more controversial than under the old rating system, where there was a smooth progression in values and tax bills. The government, which originally hoped to avoid a cumbersome appeals process, has now conceded one, recognising that it will be essential if the tax is to be seen as fair.

However, taxpayers' evaluation of the fairness of the council tax is likely to be influenced by the fall in house prices in many parts of the country. The first that most will know about their council tax bill will be in March 1993, when they receive a bill from their local authority based on the value of their home two years earlier. If the value of their home has fallen in that period, it may be difficult to convince them that they have been correctly assessed, especially if a more up-to-date valuation would put them in a lower band.

The government is already redrafting parts of the official notice that will be sent out with tax bills to make it clear that valuations are based on 1991 values. But the legitimacy of the new tax may be undermined *if it fails* to get across the message that, if one house in an area has dropped in value since 1991, the others will be in a similar position.

More misleading has been the spate of press stories suggesting that such valuation problems will mean higher council tax bills for everyone. Figures produced last week by the Local Government Information Unit, for example, appeared to demonstrate that the government had overestimated the value of property in its original calculations. The conclusion drawn was that the average tax bill would be £61 higher than predicted.

The inference, however, is groundless. The average council tax bill in any local authority will not depend on the value of the property within it, but on the amount the council must raise from local taxpayers to finance its spending. That bill must be divided among the taxpayers, whatever the property values, and the average will not be affected by changes in valuations.

If there are fewer houses than expected in the highest bands, the levels will need to be higher in every band

What may change is the distribution of the tax bill across *the tax bands. If there are* fewer houses than expected in the highest bands, the council tax level will need to be higher in every band to raise the same amount of money. With reports suggesting that this is the case, tax bills for each band may work out higher than the government had forecast, but with more households in the lower bands than expected.

The misunderstandings revealed by some of the early scare stories reflect the difficulties involved in explaining the workings of a property-based tax – difficulties familiar to those who remember the unpopularity of the rates. Indeed, it was the belief that the revaluation of properties in Scotland would of itself mean higher rates bills which eventually scuppered the rates and led to the premature introduction of the poll tax.

There are equally worrying similarities between the funding problems now faced by the government in introducing the council tax, and those that dogged the launch of the poll tax. It was, after all, Treasury parsimony on the poll tax – which Mr Nigel Lawson, the chancellor, had strongly opposed – that denied it sufficient funds to ensure that winners outnumbered losers.

Cipfa estimates that at least an extra £2.3bn will be needed *to keep average tax levels* down to the figures the government estimated in its 1991 white paper on the council tax. In the absence of additional funding, the average figures for the first year of the council tax will be 35 per cent higher than the government's targets.

There will also be considerable variations between regions within the overall average figures unless there is some transitional arrangement to even out the burden. Local taxpayers who have been told that the average council tax bill in England is to be £400 may be surprised to find that the average in inner London will be £714 and more than £600 throughout the south-east.

Mr Michael Howard, the environment secretary, is said to be pressing for a generous settlement in this autumn's spending round. Even if the Treasury was prepared to be generous in the introduction of the council tax, however, the economic circumstances make it unlikely that the support needed to guarantee a painless transition will be forthcoming.

The result will be that the scare stories based on misunderstandings will begin to give way to worries about the level of the new tax in the run-up to its April introduction. The council tax is likely to enter the world in unpropitious circumstances, with its valuations undermined by falling house prices, inadequate understanding of its workings and insufficient funds to ease the pain. It is not a pleasant prospect for ministers who felt that they had vanquished the alien beast of local government taxation in the final reel of the poll-tax saga.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Authority of AGM is no panacea

From Mr Edmond Jackson.

Sir, I am sceptical that Dr Maurice Gillibrand's proposals (Letters, August 11) for legislation to restore the authority of annual general meetings or to introduce two-tier boards are significant for competitiveness.

Corporate governance is no panacea. Japanese companies win because they manufacture quality goods at a price that people want. Meanwhile, their AGMs are, sometimes, arguably populated by gangsters.

If AGMs are given more power, minorities able to attend could force change against the majority. Perhaps investors should find ways to exchange ideas and exert constructive, on-going influence.

German practices do not simply import: two-tier boards will throw sand into the Anglo-Saxon corporate machine. Let us preserve efficiency in the unitary board until investors act more responsibly. "Dividend-strippers" are as bad as greedy directors.

Edmond Jackson,
Chenies,
Butlers Dene Road,
Woldingham,
Surrey CR3 7HH

Closing off an open season

From Mr Peter Kleeman.

Sir, It seems incongruous that securities analysts are permitted to write reports, presumably without direct corporate contact, during a company's "close season".

An altered profit forecast, without a right of reply, can have a devastating effect on a company's market capitalisation. These regulations hardly seem sensible, particularly for a nation that believes in fair play.

Perhaps the deafening silence from the corporate sector on this can now be broken.

Peter Kleeman,
chairman,
Allside Asset Management,
7 Old Park Lane,
London W1Y 3LJ

The Bundesbank is led to the dock

From Mr Howard Flight.

Sir, The argument for an independent central bank is that it should be free of party political interference, not that it should conduct monetary policy without regard to national, regional or global interests.

Whatever policy the Kohl government followed over reunification, it was bound to unleash a large federal deficit and inflationary pressures in Germany. As the western German population is now aware, German reunification needs a strong, growing west German economy to finance the subsidisation of eastern Germans' living standards until there is a sustained upswing in the east – even if at the cost of higher German inflation than the Bundesbank would wish.

In Europe as a whole, very high real interest rates threaten to turn recession into depression. The governments of Europe have been remarkably patient with the Bundesbank, although it is threatening nearly 10 years of *European effort for greater economic* and political integration. Surely there must be compromise of some economic habits to achieve the latter?

It is ironic that, just when German reunification presented a short-term reason for Germany to shift its anti-inflationary economic and monetary priorities, accommodating European convergence, Bundesbank intransigence is threatening the EMU commitment.

Beyond Europe, the dominant economic forces are strongly disinflationary. But Germany is the one economy which, for reasons of reunification, could afford a more relaxed stand on the inflationary front.

Yet Mr Otmar Issing, the Bundesbank's chief economist, advises there are no grounds for a cut in Germany's interest rates. This, despite the unreliability of German money supply data.

The German government might point out to the Bundesbank that monetary targets might be achievable only at the cost of many more than 3m unemployed in Germany, of the destruction of the EMU programme and global depression.

A DM exchange rate adjustment within the ERM is not the answer to the problems. We need a prolonged low-interest-rate German reunification boom. The European currency bloc is overvalued against the dollar and yen as a result of Bundesbank interest rate policies. And this is aggravating recession.

A future European-wide central bank must clearly – like the US Federal Reserve – be *more accountable in the* broader European political and economic interest.

The governments and central banks of Europe and the G7 block – including the Kohl administration – should pressurise the Bundesbank, and be prepared to consider constitutional changes if necessary, to halt this idiocy.

Howard Flight,
managing director,
Guinness Flight
Global Asset Management,
Lighterman's Court,
5 Gainsford Street,
Tower Bridge,
London SE1 2NE

Spat over a 10-gallon hat

From Dr Lane Hughston.

Sir, Jurek Martin and Matthew Kaminsky suggest in their report on the Republican convention ("Houston in a whirl as the party hurricane hits", August 18) that "it is the constitutional right of every Texan, and most of the south, to drink and drive".

Now Texans are good-natured people who enjoy poking fun at their own often colourful attitudes. But this characterisation, though undoubtedly intended in jest, is in bad taste. It also misrepresents the views held by most Americans.

Lane Hughston,
Hurricane Creek Ranch,
Route One,
Anna, Texas 75348

A tourist's tale of London

From Mr Mohamad A Vayid.

Sir, The matter with the British economy is not just government policy, nor the position of sterling within ERM. I spent a period in London in June and July and I can report a catalogue of difficulties.

After spending a few hundred pounds on bed linen at John Lewis in Oxford Street, I could not have it packed for carriage on the plane. The export department, to which I was directed, dismissed my request, saying it only answered enquiries and executed orders from overseas.

At Debenham's, a folding table and chairs, described as being in stock and available for quick delivery, could be delivered to an address merely 2km away only several days later. The salesman would not even arrange, when told that the buyer was leaving London that day, for delivery before noon.

A suit bought at Harrods needed a minor alteration and I was asked to collect it the following week. A telephone *call confirmed it was ready.* But when I went to the shop and tried it on, the work had not been done. I was asked to return. No luck this time also: the alteration was faulty. The third time, I was lucky. The extra taxi fares: £32.

Barclays Bank, in Putney High Street, refused to honour a draft for $500 in favour of an account holder because it had to check whether Mauritius had "enough foreign currency to cover this amount". As this could take time, the account holder presented the bank manager with a cheque from a friend for £150 drawn on Lloyds. Told it might take five days to clear, the account holder asked the manager to fax Lloyds to confirm the cheque was good, offering to pay any extra charge. The manager refused.

To redeem itself, British business needs to go back to the basics of salesmanship.

Mohamad A Vayid,
managing director,
Strategic Management
Consultants,
Quatre Bornes,
Mauritius

OBSERVER

Wilhelm joins the ANC volk

■ Most white South Africans are deeply disillusioned with the African National Congress these days. Hence it is rare to find a white man signing up as an ANC member, and doubly so if his name is Verwoerd.

Dr Hendrik Verwoerd, the architect of apartheid, must be squirming in his grave to learn that grandson Wilhelm, 30, has joined the ANC. Wilhelm, who has a theology degree, had a political "awakening" when attending Oxford as a Rhodes scholar, according to his wife, Melanie, who is also an ANC member.

Within the Verwoerd family, his behaviour appears even more out of character: his father, Professor Wilhelm Verwoerd, Hendrik Verwoerd's eldest son, is a member of the ultra-right Conservative Party. His aunt and his grandmother, have have moved to Orania, a whites-only village in the remote northern Cape where blacks are excluded, even as labourers. It was established by Verwoerd's son-in-law, Prof Carel Boshoff.

But the family is not just split between left and right: Hendrik Verwoerd, Jr, another Verwoerd son, has set up a rival white homeland at Morgenzon in the Transvaal. He and son-in-law Boshoff agree that they want to live without blacks, but Verwoerd, Jr claims the entire industrial heartland of South Africa as his territory, while Boshoff is content to live in dusty isolation in the Cape.

Suspicious

■ Having difficulty finding a room in the inn? Earlier this month Observer passed on the Welsh Tourist Board's advice on why Japanese don't like room 44. A well-travelled colleague noted that this was only a fraction of the story.

It's not just a Japanese problem, but a Chinese one too, and the Chinese seem to take things a whole lot further: the hotel floors 4 and 44 are often omitted: telephone numbers with lots of "4"s in them can be a blight on a company.

On the brighter side, numbers 8 and 9 are greatly sought after, apparently bringing immense good luck – the Chinese for 8 rhymes with the word for "rich", and the word for 9 sounds like the word for "long life". In auctions for car registration numbers in Hong Kong, numbers 8 and 9 regularly attract immense premiums.

Steering well clear of certain numbers seems to be by no means a Chinese or Japanese fixation: a well known Sultan, for example, has had the number of his London pad changed from 13 to 12½. Meanwhile, another colleague reports that some Pakistanis don't like room 420. It is often under-utilised because the number is said to be a code for describing crooks and swindlers.

If you have any other similar travel tips, a superstitious Observer would like to hear them.

Happy days

■ How time flies. Russia's Central Bank is issuing 1m three-rouble coins commemorating the democratic victory over Communist hard-liners who launched last year's abortive coup.

Three roubles, which is less than three cents at the current exchange rate, can buy little these days in Russia: six rides on the Moscow subway or a newspaper. Before the coup, three roubles could buy 60 subway rides, or a hearty lunch in a state-subsidized cafeteria.

"Let's phone someone and say we want to buy their house"

Discounted

■ Arranging your own pension plan might be all the rage at the moment, in the wake of Captain Bob Maxwell's pension fund raids, but the Which? guide, Choose your own Pension, has not proved a best seller. Copies of the £7.95 book have been knocked down to just £1 at a Fleet Street bookseller.

Thirst-quenching

■ How well did the Daily Mirror do from its biggest scoop in a decade? The publication of the photos of the errant Duchess comes at a time when the long-running battle between The Sun and the Daily Mirror for the title of Britain's biggest selling daily is at a crucial stage.

In 1991 the Daily Mirror regained the number one spot, but The Sun has been narrowing its lead lately. Last month the Mirror raised its cover price by 2p, making it more expensive than The Sun, and the latter has been merciless in highlighting the price differential. Referring to the Mirror's former owner, the late Robert Maxwell, The Sun has been taunting the opposition with jibes such as "what the Mirror coffers lack its readers are now paying back". The Mirror badly needs more such scoops if it's to hold its slim circulation lead.

Carat, which specialises in buying advertising space, did a telephone survey last Thursday, and reports that readership of the Daily Mirror had gone up by 29 per cent on the day; circulation may have increased by 11 per cent. A W H Smith survey of 600 newsagents found that Mirror sales had risen 17 per cent on Thursday and the Mirror says it has been printing an extra 400,000 copies. By contrast, The Sun printed an extra 300,000 copies.

The reason for Carat's research is that its space buyers are frequently called by newspapers promising a big story and trying to get buyers to pay closer to rate card rates for the advertising space. But while circulation increases are important, increased readership levels are much harder to gauge.

So the good news is – salaciousness sells. Come to think of it, isn't that the bad news, too?

Limp joke

■ Spare a thought for the modern manager in Hong Kong. Not only is the stock market wilting but, it seems, other things are as well. The topic of discussion at today's lunch at the Rotary Club of Wanchai – from whence Suzy Wong once hailed – is "The Modern Management of Impotence".

FINANCIAL TIMES
Monday August 24 1992

German opposition party responds to grassroots pressure

SPD switches policy on refugees

By Christopher Parkes in Bonn

GERMANY'S opposition Social Democrats (SPD) changed its position at the weekend on two of the most delicate policy areas plaguing the Bonn government: asylum-seekers and the use of German forces in UN-led military operations.

Bowing to grassroots demand and risking a rift with his party's left wing, Mr Björn Engholm, party leader, said immigration must be "braked and controlled".

The party was ready to approve a change in the constitution if necessary.

Some 240,000 asylum-seekers took advantage of Germany's liberal laws in the first seven months of this year, arriving at the rate of one a minute during July. Last year's total was a record 256,000.

Most are seeking work in Europe's richest country and have, by law, to be housed and fed by local authorities and individual state governments. Mr Engholm has come under pressure from state authorities, most of them SPD-controlled, for a change of course.

In future, he said after a private meeting of party leaders, people arriving and giving no reason, or false reasons, in their request for asylum should be excluded. Those from countries where there was no political persecution, should also be turned away.

Mr Rudolf Seiters, interior minister, welcomed the change, though it had come "late". Leaders of the main coalition parties, the Christian Democrats and Christian Social Union, demanded an immediate start to talks on constitutional change.

The SPD also renounced its opposition to the use of German forces in international military actions under the UN flag. Mr Engholm called for UN reform, so the body as a whole, not just "three or four states", took responsibility for policing world peace. That could be achieved in a few years.

Meanwhile, the party was ready to "decide on" German military participation in the case of "unforeseen conflicts".

The decision on use of the military is partly a response to divisions within the SPD over the conflict in the former Yugoslavia. The constitution is vague on the use of German forces, but has traditionally been interpreted by all parties as banning deployment outside the Nato area. But the government has pressed for a more liberal interpretation to allow an enlarged Germany to fulfil its increased international obligations.

Mr Klaus Kinkel, foreign minister, said he had already drafted an amendment to clarify the constitutional issue, which also laid down conditions for out-of-area involvement.

These included deployment of volunteers, under UN command and only after an examination of each case by the Bundestag. To help in the current conflict, Mr Kinkel proposed sending customs officials to non-German borders, plus logistical help to police the embargo against Serbia and Montenegro.

THE LEX COLUMN

Sharing the deficit

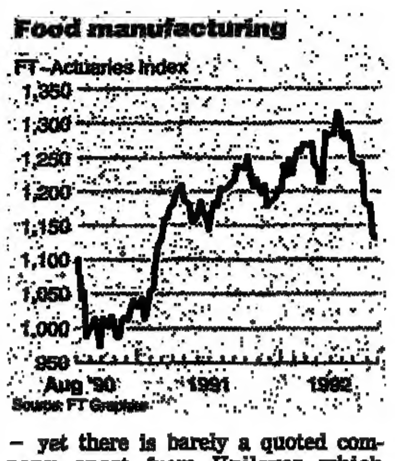
One side-effect of the Maastricht treaty may be to drive Europe more quickly towards privatisation. With governments under additional pressure to bring public sector finances under control the equity market is being asked to shoulder an increasing chunk of the burden. The Italian government has pencilled in L42,000bn from sales of commercial assets by the end of 1994. Last month Germany outlined a programme which will probably start with the offering of a 25 per cent stake in Lufthansa. A giant flotation for Deutsche Telekom – valuing the group at anything up to DM70bn – may not be far behind. France is looking to raise FFr15bn next year, assuming the Socialists retain power, while under a centre-right government privatisation will have a far greater role. To this must be added rolling programmes in Spain and Portugal, and the first hints at privatisation in cash-strapped Belgium.

In contrast to early UK experience, the recent continental wave of privatisation is driven by budgetary pressure rather than reforming zeal. Equity investors will still be hoping for efficiencies as nationalised industries are put to the test of the market. Partial privatisations which leave the state in majority control, though, may be the worst of all possible worlds: making additional demands on the equity market without the promise of real efficiency gains.

Smaller European equity markets may benefit from greater liquidity and the breadth of investors that a privatisation programme can attract. The experience of the UK suggests supply can be perfectly benign in the upswing of the economic cycle. On the downswing, however, the story is likely to be different. Will governments relying on asset sales to meet strict Maastricht-style criteria be prepared to pull back if the market turns against them? After all, every lira not raised from the equity market will have to come from either taxation or the bond market. In a recession the economy can barely afford the former, while the latter hardly solves the problem of public sector indebtedness.

UK food makers

The traditional defensiveness of the entire UK food manufacturing sector has taken a serious knock in the past couple of weeks. Stock market attention has been focused mainly on Hillsdown – whose shares have collapsed by more than a quarter since August 8



– yet there is barely a quoted company apart from Unilever which remains unscathed by recent broker downgrades. Northern Foods, Unigate, United Biscuits, and Ranks Hovis McDougall – a representative enough sample from a peculiarly diverse industry – have all underperformed the FT-All Share Index by more than 10 per cent in the past month.

The savagery in some analysts' pens has startled even experienced observers, prompting suggestions that some of the latest estimates are wild and possibly unduly pessimistic guesses. With many companies in their closed reporting season, after all, the market would normally wait to see interim numbers in September before making any substantial end-of-year profit adjustments. One can also point to special factors behind the more substantial falls: Unigate's vulnerability to imminent changes in the methods of milk distribution by the Milk Marketing Board, Northern's and UB's sensitivity to trends in the UK biscuits market, and the impact on RHM of a tight harvest for bread milling wheat.

Even so, the market is understandably worried about postponement of economic recovery beyond the important Christmas season, and growing evidence from the high street that on top of lower prices for seasonal items food price inflation generally has almost disappeared. That means manufacturing margins will be under pressure from the retailers, notably for non branded products or those where there are other suppliers. Sainsbury's tendency to purchase chickens from France and Iceland's ability to source pizzas from Germany is a reminder that supermarket buyers have become increasingly European. Possibly the biggest threat, though, comes from the consumer in a long recession. The discretionary element of the shopping basket, after all, has grown bigger and bigger in the past 10 years as manufacturers sought to widen their margins with higher added value products.

European car market

Ford's decision to put its UK plants on short-time working is partly a reflection of the poor state of the British economy. But the move also says something about the weak state of Europe as a whole. Last year car manufacturers were relatively sanguine about depressed sales in Britain and France, because post-unification Germany was growing rapidly. This year Germany was expected to slow, with Britain, France and Spain taking up the slack. Germany, however, has now turned down sharply but the British and French markets at least remain stubbornly depressed.

Excess capacity has a double impact on Europe's carmakers. German groups could comfortably sell much of their output at home last year, so had little need to chase market share elsewhere. That has now changed. Price competition was also subdued in markets outside Germany while non-German manufacturers could divert production to the German market. Now the worry is that German manufacturers will compete aggressively for a bigger share of export markets, sparking price wars. Manufacturers with dated or unpopular models – like Fiat and to some extent Ford – are likely to be hit hardest.

Shares of Europe's carmakers have already fallen in anticipation of extra margin pressure. But there are still worries about the high labour costs of German manufacturers. While much of German industry can ease such costs by high productivity, carmaking technology is increasingly easy to transfer. Companies such as General Motors now find it cheaper to make a Cavalier in Britain rather than Germany, a problem exacerbated by the strength of the D-Mark.

The problem is even greater for component makers. The tradition of German carmakers buying from German component manufacturers is being challenged because UK manufacturers now have a significant price advantage. Lucas, T&N and GKN have all made gains in market share, and the opening of Japanese transplants will help further. In the short term cyclical pressure may depress profits, but further out Britain's component manufacturers look well placed.

Contractors confident of settlement in channel tunnel row

By Robert Peston and Roland Rudd in London

THE long-running dispute over the cost of building the channel tunnel may be close to settlement.

Its resolution now hinges on the manner of financing the cost over-run, rather than the size of the additional costs.

Eurotunnel's building contractors, grouped in the Transmanche Link (TML) consortium, indicated at the weekend that they are within weeks of settling the dispute, which in has threatened to bring work on the project to a halt.

The size of the settlement is likely to be the maximum permitted without Eurotunnel making a serious breach of its banking covenants.

That would mean Eurotunnel could make a cash payment to TML of no more than £1bn, in historic prices as opposed to today's prices.

However, the eventual settlement is likely to be £1.2bn. So Eurotunnel is offering £200m – equal to about £300m in today's prices – in some form of equity, probably a convertible debenture.

Eurotunnel has stressed that any equity issued to TML will not be equal to more than 10 per cent of its existing equity.

But TML's UK members – BICC, Taylor Woodrow, Costain, Wimpey and Tarmac – do not want so much equity.

UK construction companies have been hurt severely by the recession and most of them need cash.

The French members of the consortium are understood to be less hostile to the equity offer.

Once the deal between TML and Eurotunnel is agreed, it must be approved by Eurotunnel's 206 banks. If the settlement is no more than £1bn in cash and £200m in equity, 65 per cent of the banks as measured by the value of their loans would have to vote in favour.

If TML were promised more, 90 per cent of the banks would have to give approval.

One of Eurotunnel's leading bank creditors said 90 per cent approval would never be won, because a number of banks are disenchanted with the project.

On the question of how much TML should be paid to take account of increases in the costs of building the tunnel since its initial contract was negotiated, the two sides are still £150m apart.

However, an executive with a close knowledge of the talks said that "serious arguments" were focusing on just £50m.

Hanan Ashrawi, Palestinian spokeswoman, hugs her daughter before leaving for Washington

Israel releases 800 Palestinian prisoners before talks resume

By Our Middle East Staff

ISRAEL yesterday announced the easing of some restrictions on Palestinians living under occupation and the release of 800 prisoners.

The concessions came as Arab and Israeli delegations gathered in Washington for the sixth round of Middle East peace talks.

A statement from the office of Mr Yitzhak Rabin, Israel's prime minister, said a number of steps were being taken to "improve the atmosphere among the Arab population in the West Bank and Gaza strip".

Apart from the prisoner release, Israel was also reopening Palestinian homes and streets sealed by the army. Such forms of collective punishment, under which families of Palestinian activists are made to suffer, has been much criticised internationally.

In addition, the statement said streets in Palestinian areas which had been sealed by the army during violent clashes would gradually be reopened.

The statement expressed the hope that the measures "will have a positive contribution on the willingness of the Palestinian population to support the progress of the peace negotiations".

The apparent goodwill gesture follows a bitter row on Friday after Israeli officials barred support staff travelling with Palestinian peace negotiators from crossing into Jordan on their way to Washington.

The Palestinian delegation turned back in protest and demanded that the Israeli authorities cease their "harassment" of the Palestinian negotiating team.

Mrs Hanan Ashrawi, the Palestinian spokeswoman, said in Jerusalem before leaving for Washington that the delegation had been assured it would not be subjected to further interference by the Israeli authorities.

"We have the assurance of the Americans that we will not be interfered with and they told us that they have this assurance from the highest levels of the Israeli authorities," Mrs Ashrawi said.

She added: "We feel we have achieved something absolutely basic – the recognition of the status of the delegation and recognition that we should not be made subject to the dictates and the whims of the Israeli authorities."

Mrs Ashrawi said details of a written agreement on the status of the Palestinian delegation would be worked out during the Washington talks to avoid further "harassment".

The latest round of talks is the first since Mr Rabin and the Labour party came to power.

Mr Rabin has promised to freeze new Jewish settlements in the occupied territories not required for security reasons and wants to negotiate a swift agreement on autonomy for the Palestinians.

The precise starting date of the negotiations, which will be held in the State Department, is uncertain because the Palestinian delegation was delayed by Israel authorities leaving the occupied territories in a dispute over travel documents.

US citizens warned to avoid Mideast

Continued from Page 1

integrity and opposing the allied plan.

Egypt is also known to be concerned at the US action, and even Gulf countries such as Bahrain, where Britain based its Tornado aircraft during the Gulf war, have sought to head off further US involvement in Iraq. Only Saudi Arabia and Kuwait are believed to be fully behind renewed military action.

Mr Kamel Abu Jaber, Jordan's foreign minister, appeared to sum up Arab fears when he said: "Any measure that aims at curtailing the unity of the Iraqi people and its territorial safety will lead to destabilising the region's security and subjects its states and people to dangerous options."

Iraqi opposition groups and reports from Iran said yesterday that Shias in the south had come under fresh attack from President Saddam's troops who were using heavy artillery and tanks.

The aim of the allied air exclusion zone is to protect the Shias from persecution by Baghdad in defiance of the regime's obligations imposed by UN resolutions after the Gulf war ceasefire.

Panic challenged after crackdown on 'ethnic cleansing'

Continued from Page 1

One Croat was found murdered after Mr Vojislav Seselj, an ultranationalist Serb leader who visited the village in July, read out a black-list of 17 people who he said had to leave the village.

If the federal government caves in to the threats and frees Mr Sibincic, it would set an ominous precedent for ethnic minorities in Serbia, where Serbs make up only two-thirds of the population.

Elsewhere, fighting continued in the Bosnian capital of Sarajevo yesterday. Sarajevo radio said 22 people had been killed in the city since noon on Saturday.

● Ivo Dawnay in London writes: Mr John Major, the UK prime minister, will open the London conference on Wednesday with a speech as European Community president. His address, expected to condemn Serbian human rights abuses and press for tighter sanctions against Belgrade, is also intended to build bridges between the EC and the UN, whose relations have been strained by poor co-ordination.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	F	17	63	Frankfurt	F	18	64	Majorca	S	30	86	Oporto	S	230	73	Tenerife	S	26	79
				Brussels	S	18	64	Geneva	S	23	73	Malaga	S	27	81	Oslo	R	14	57	Tokyo	S	32	90
				Budapest	F	30	86	Gibraltar	S	26	79	Malta	S	34	93	Paris	F	20	68	Toronto †	S	14	57
Ajaccio	S	–	–	Buenos Aires	R	17	62	Glasgow	F	15	59	Manila	C	32	90	Prague	F	21	70	Tunis	S	34	93
Algiers	S	35	95	Cairo	S	33	91	Helsinki	C	14	57	Melbourne	R	7	45	Reykjavik	F	16	61	Valencia	S	30	86
Amsterdam	F	18	64	Cape Town	F	12	54	Hong Kong	F	30	86	Mexico City	C	20	68	Rhodes	S	29	84	Venice	S	27	81
Athens	S	31	88	Caracas	C	28	82	Innsbruck	F	22	72	Miami †	S	27	81	Rio d'Janeiro	R	26	79	Vienna	F	24	75
Bahrain		–	-	Casablanca †	S	25	77	Inverness	F	14	57	Milan	F	27	81	Rome	F	29	84	Warsaw	S	26	79
Bangkok	C	35	95	Chicago †	S	19	66	Islamabad	F	36	97	Montreal †	S	17	63	Salzburg	F	24	75	Washington †	F	21	70
Barcelona	S	27	81	Cologne	F	19	66	Istanbul	F	27	81	Moscow	F	13	55	S Francisco †	S	12	54	Zurich	S	22	72
Beijing	S	33	91	Copenhagen	R	16	61	Jakarta	C	32	90	Munich	T	23	73	Seoul	F	27	81				
Beirut	S	29	84	Corfu	S	32	90	Johannesburg	S	22	72	Nairobi	C	22	72	Singapore	C	29	84				
Belfast	F	15	59	Dallas †	S	21	70	Lisbon	S	28	82	Naples	F	30	86	Stockholm	C	18	64				
Belgrade	F	30	86	Dublin	S	17	63	London	F	18	64	Nassau	C	32	90	Strasbourg	F	20	68				
Berlin	C	20	68	Dubrovnik		–	–	Los Angeles †	S	18	64	New Delhi	C	31	88	Sydney	F	17	63				
Biarritz	F	25	77	Edinburgh	F	16	61	Luxembourg	F	17	63	New York †	S	21	70	Taipei	C	33	91				
Bombay		–	-	Faro	S	27	81	Madeira	C	24	75	Nice	S	26	79	Tangier	S	30	86				
Bordeaux	C	23	73	Florence	C	29	84	Madrid	S	31	88	Nicosia	S	28	82	Tel Aviv	F	31	88				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

INSIDE

US chip maker shifts operations to Japan

LSI Logic, the Silicon Valley semiconductor manufacturer, is to close its plant in Germany, reduce operations in the US and shift most of its manufacturing to Japan and the Asia Pacific region. About 450 jobs will be lost, including about 275 in Germany, in a broad restructuring of the group's manufacturing and product strategy. "Our cost structure is out of line with the current level of revenues and we are compelled to reduce costs, and do it quickly," said Mr Wilfred Corrigan, chairman and chief executive. Page 12

Research pledge by UBS P&D

UBS Phillips & Drew, the securities house, has written to leading fund managers stressing that it is committed to the "production of independent research" on companies. The letter is a response to what the firm calls "ill-founded and objectionable allegations that Mr Terry Smith, head of the firm's UK research department has been suspended due to pressure from major companies". But several investment fund managers said they found the UBS letter unconvincing. Page 12

FRNs return to favour

There are signs of a revival of interest in the floating-rate note market, once the most liquid sector of the Eurobond market. But some traders who lived through the market's collapse in 1986 believe the market may still carry the seeds of its own destruction. Page 13

Investors run from treasuries

Just when it thought it was safe from George Bush's appetite for vote-catching tax cuts, the bond market was caught unawares last week by, of all things, a plummeting dollar. Normally, the dollar does not figure in the bond market's daily calculations, but so unnerving was the currency's decline on Friday that treasury investors turned tail and ran. Page 14

Sterling's weakness cast a shadow over the gilt market, forcing up yields for short-dated bonds owing to expectations that the UK government may soon be forced to lift base rates. Page 14

Ciba-Geigy ahead 12%

Ciba-Geigy, the Swiss chemicals and pharmaceuticals group, said its consolidated net profit in the first half rose 12 per cent to SFr1.4bn ($1.06bn) on sales also up 12 per cent to SFr12.26bn, and forecast "further profit growth during the second half of the year". Page 12

Market Statistics

Companies in this issue

Foreign banks split on loans to Efim

By Haig Simonian in Milan

DIVISIONS have emerged between foreign bank creditors to Efim, the Italian state holding company put into voluntary liquidation last month, ahead of this week's meeting with Italian treasury officials in London.

The differences became apparent as foreign bankers, who lent around L3,600bn ($3.1bn) of Efim's L8,500bn total debt, held a round of talks in London and Milan late last week to co-ordinate their positions.

Separately, there have been unofficial indications that the Italian treasury may be prepared to soften its position on the treatment of bank creditors, opening the way to a compromise.

Foreign banks earlier this month threatened to declare Efim in default on its loans after the treasury announced it would pay rates of interest substantially below current market levels on the special bonds to be issued to Efim's creditors.

As a result, banks would receive only around 80 per cent of the total principal and interest due.

Last week, about 15 foreign bankers met senior treasury officials in Rome to discuss their differences.

However, the meeting was limited to an exchange of views, with detailed talks being left to this week's session in London, expected to take place on Wednesday or Thursday.

Foreign bank creditors appear divided between those calling for an immediate declaration of default on Efim's loans, and possibly the invocation of cross-default clauses on loans to Iri and Eni, Italy's two other state holding companies, and others recommending a less hawkish approach.

Gaps have also emerged over bankers' interpretations of the treasury's position.

At last week's meeting, Mr Mario Draghi, its senior civil servant, made it clear that no solutions had been "pre-judged".

Foreign banks are at odds as to whether that apparent flexibility is a tactic to gain time and exploit creditors' divisions, or indicates a real willingness to raise interest rates on the bonds – the crux of the dispute.

Meanwhile, the Italian treasury appreciates that foreign banks could play a decisive part in plans to privatise state assets to cut the budget deficit and the risks it runs if the conflict continues.

Steven Butler on Tokyo market reaction to government statements on the financial system

Japanese banks return to favour with investors

Nikkei Banking Index

Relative to Nikkei Average index

Source: Datastream

IT TOOK just three days last week for Tokyo's sagging Nikkei stock index to put on 1,907.47 points, or 13.3 per cent to close at 16,216.88.

The broad rally in the market was underpinned by an even more powerful rise in bank share prices. On Friday alone, the Nikkei bank share index shot ahead by 8.7 per cent, compared with a 6.2 per cent rise for the market as a whole. A conviction has quickly spread among investors that something fundamental has changed in the outlook for the banks, and that the government is now committed to solving their problems of poor profitability, inadequate capital and, most serious, the enormous burden of bad debt.

Yet aside from a few measures aimed at tiding the market over the first half of the financial year, which ends next month, almost nothing concrete emerged last week to address the bank's deeper problems. It is therefore important to ask whether the perception that the government has changed its attitude – followed by a flurry of leaked news reports about measures under consideration – can justify such a change in market sentiment.

The measures were offered on Tuesday evening by Mr Tsutomu Hata, the finance minister. Mr Hata said that banks would not have to report and provide for unrealised losses on securities holdings at the interim, thus reducing incentives to realise capital gains on other shares to boost profits. Banks would also be allowed to distribute more than 40 per cent of profits as dividends, thus allowing them to maintain payout levels without selling shares for profit.

Mr Hata said he hoped to halt a vicious cycle in the market in which declining share prices forced financial institutions to sell more shares, thus driving securities prices even lower. Yet perhaps even more important for sentiment than the temporary measures offered was Mr Hata's admission that Japan's financial system was standing on the edge of a precipice, facing its worst crisis since the second world war.

On Wednesday afternoon, Mr Yasushi Mieno, the central bank governor, confessed for the first time to concern that the low level of the stock market was having negative effects on Japan's economy and banking system. Until then, Mr Mieno has repeatedly said that Japan's financial system was sound and that the central bank would not save imprudent investors by moving to shore up sagging share or property prices.

Indeed financial authorities seemed at last to be thinking along similar lines. Mr Mieno endorsed an idea under discussion to establish a corporation to purchase land held as collateral by banks for bad loans, and thereby help to remove bad assets from the banks' balance sheets.

Since then, an avalanche of proposals apparently being drawn up by the Finance Ministry for inclusion in an emergency economic package to be announced on Friday have hit the nation's press.

They include:

● A corporation to purchase property and possibly bad property loans from the banks. Most analysts believe banks have between Y25,000bn ($200bn) and Y30,000bn of loans, mainly for property, for which no interest is being paid. Up to Y3,000bn may be unrecoverable, but in the meanwhile banks cannot get bad loans off their books because the property market is so illiquid.

A corporation capable of buying the property, presumably at a market price below book value, would at least give the banks the option of choosing between keeping loans on the books until the market recovers or taking an immediate capital loss.

Another idea is to use the land itself as capital and to issue mortgage securities to investors. Mr Mieno and Mr Mamoru Ozaki, vice finance minister, have both welcomed the concept. But neither has warmed to the suggestion that the government or central bank should invest in it or provide cheap finance.

Ms Rie Ota, banking analyst at Baring Securities, says: "Who is going to bear the cost? That is the key question."

It would make little sense for the banks to invest in such a company themselves, unless substantial tax breaks are given to the banks for disposing of bad loans, which would amount to a government subsidy. Realising the idea promises to be complex and time consuming, if practical at all.

● Tax Breaks. The Nihon Keizai Shimbun, the economic daily, has reported that Japan's 11 city banks would add more than Y1,000bn to tax-exempt loan loss reserves in the current half year, with the blessing of the Finance Ministry.

The ministry in the past has allowed such provisions only after two years in which no interest has been paid. The ministry is also considering allowing tax breaks when banks cut interest rates to help out troubled borrowers.

The problem, however, is that banks are big taxpayers. With tax revenues expected to be Y6,000bn to Y10,000bn lower because of the weak economy, the ministry could prove very conservative in using its discretionary authority to grant tax breaks.

And with bad loan costs last year amounting to 175 per cent of pre-tax profits, banks could still be under tremendous pressure to sell shares unless the ministry comes up with an extremely attractive, and costly, package.

Bank operating profits are being helped by lower interest rates, and could rise by over 20 per cent in the current half year. The ministry has also basically solved the problem of banks meeting the 8 per cent capital adequacy requirements set by the Bank for International Settlements by showing more flexibility in allowing banks to issue relatively high-cost perpetual floating-rate notes or convertible bonds with mandatory conversion, which count as tier 2 capital.

It has also proved more flexible in allowing banks to securitise loans and sell them.

Yet a solution to the banks' more fundamental problem – how to get the huge volume of bad debt off their books – has been outlined only in the sketchiest form. Government authorities may have changed their attitude, but there is plenty of scope for disappointment later this week when the government unveils detailed proposals to boost the economy. Investors who bid up bank shares last week are taking a lot on faith.

London SE reviews its powers to discipline

By Robert Peston and Roland Rudd in London

THE LONDON Stock Exchange is conducting an informal review of how to punish listed companies which breach the rules contained in the exchange's Yellow Book.

Senior officials believe the exchange's punishments are inadequate. "Some companies and their advisers are taking no notice of the Yellow Book", complained one.

The Yellow Book contains the rules which companies should follow after they are listed. One of the most common breaches is to release price sensitive information to selected newspapers, before making an official announcement to the exchange. Another breach is making a Stock Exchange announcement which turns out to have been misleading.

Over the past few months, the exchange has investigated 26 examples of alleged leaks by companies. If convinced there has been a deliberate leak, the exchange will normally reprimand the company in private.

One official said: "Do not underestimate how embarrassing it is for a company to be told that it has broken the rules."

However, another exchange executive believes the exchange should be tougher. It has two additional punitive powers. It can publicly criticise a company or it can delist a company. The exchange would probably never use delisting as punishment if a company leaked information. "We have to consider the interests of shareholders", said an official. "If we delist the shares, they suffer, even though they are not to blame for the rule infringement."

The last time the exchange censured in public was a year ago, when two directors of Mountleigh, Mr Nelson Peltz and Mr Peter May, were criticised for selling shares in the group two months before it disclosed poor results and launched a rights issue. In recent years, the only other companies to face public censure were Polly Peck and Tottenham Hotspur.

Mr Peter Rawlins, the exchange's chief executive, has had a meeting with the City & Financial Group of the Institute of Public Relations to discuss what to do about leaking. "We [the Institute] think the exchange should censure in public" said Mr Geoff Kelly, head of public relations at investment bank Barclays de Zoete Wedd.

Spotlight turns on investment in Latin America

Economics Notebook

By Stephen Fidler, Latin America Editor

LATIN America's bid to turn its recent economic advances into sustainable growth will turn in large part on one issue: investment.

The signals appear more hopeful than at any time since the onset of the debt crisis a decade ago. Of the $40bn of capital that flowed into Latin America last year, Salomon Brothers, the Wall Street securities house, estimates that foreign direct investment jumped to nearly $14bn. Executives at many multinational companies say they are seeking to boost investment in Latin America, after a decade of, at best, holding on.

None the less, it is not yet clear, even in the most successful economies, whether enough investment will arrive to sustain growth.

Furthermore, the amount of investment isn't everything: investment was plentiful during the free-spending 1970s in Latin America – and hugely inefficient.

As JP Morgan, the US investment house, points out in its latest issue of World Financial Markets: "For most of Latin America, emphasis on investment quantity is less critical than the need for sustained improvement in its quality."

The Brazilian economy is a case in point. The level of fixed investment in Brazil was the highest in Latin America during the 1980s, accounting for at least a fifth of GDP throughout the period. However, because the economy was riddled with price distortions and controls, the results in terms of growth of output have been unimpressive: a meagre 0.7 per cent a year from 1987 to 1991.

Over the next five years, Morgan calculates that $960bn of gross fixed investment will be needed to generate annual growth of at least 5 per cent in the seven biggest economies – Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela. This represents a relatively modest 11 per cent increase on the $863bn invested in the five years to 1991, when investment was depressed.

The calculation depends on the economies coming close to the level of investment efficiency already achieved by Chile, where economic reforms are the most advanced.

The indication of Chile's productivity achievement is the growth over the last decade in the country's co-called total factor productivity (TFP), the amount by which output growth exceeds growth in inputs of capital or labour. The higher a country's total factor productivity, the higher the output generated by any given amount of capital.

TFP encompasses a variety of influences on productivity such as technological advancement, economies of scale and education. It is also influenced heavily by the economic and regulatory environment in which the investment is made.

In Chile, and Colombia, growth in total factor productivity during the 1980s exceeded that in the industrialised countries.

Morgan reckons other Latin countries may be able to match their performances, partly because their investment patterns are becoming more like those in rich countries. For example, current rapid growth in service industries in Latin America will require the same high-tech investments, such as computers, as in the rich countries. The dropping of tariff barriers and government controls also means that, unlike in the past, Latin economies are able to import the latest technologies.

Most of Latin America has also taken great strides in in rehabilitating market mechanisms, thereby allowing prices to provide accurate signals for the allocation of resources.

As a result, the Morgan economists say it is not fanciful to believe that investment can be generated sufficient to secure the 5 per cent target.

However, meeting the investment requirement will be harder for some countries than for others. According to Morgan's calculations, Brazil – which accounts for half the region 's investment outlays – could secure the growth target by investing 9 per cent *less* than the $445bn it invested from 1987-91. But it would have to introduce competitive technology and wide-ranging economic reform to do so. Brazil is so far behind on implementing structural reforms it is "unlikely to achieve the investment efficiency within the grasp of the others," Morgan concludes.

At the other extreme, Argentina would need to boost investment by 145 per cent over 1987-91 levels to achieve 5 per cent growth. "This may be too ambitious," says Morgan. Fixed investment fell to 8.9 per cent of GDP in 1990, the lowest in Latin America, and rose to only 10 per cent last year, in spite of a successful reform programme.

Peru and Venezuela would also need substantial rises in investment – both of 22 per cent. But Mexico requires only a 16 per cent rise, and Colombia an increase of 5 per cent to meet the growth target. Investment in Chile dropped sharply in 1991, a result of government attempts to stop the economy overheating, but fixed investment is again on the rise. "It should exceed 20 per cent of GDP this year – more than enough to meet the 5 per cent target," Morgan says.

The report, while acknowledging the importance of foreign investment as a catalyst for growth, underlines the central role of domestic saving in capital formation. Here the news has not been good, as saving rates have been falling in the region.

It suggests initiatives in three areas to correct this: more public saving (ie reduced government borrowing); social security reform – following the example of Chile whose pension system reforms have transformed the country's capital markets into the most mature in the region; and restructuring domestic banking systems.

The report concedes that over the next few years Latin governments will be constrained in their attempts to cut spending by pent-up demand for investment and for spending on social services. Infrastructure has deteriorated so badly in some countries, such as Peru and Venezuela, that it may now constitute a bottleneck to future growth.

Public saving will therefore probably be increased by continued privatisation, resisting public sector wage increases and sustained efforts to broaden inadequate tax bases.

UK textile group plans London flotation

By Daniel Green in London

ONE OF Yorkshire's largest textile companies is planning the biggest textile industry flotation on the London Stock Exchange for almost a decade.

Woolcombers Group is part of the Illingworth Morris Group, owned by Mr Alan Lewis who acquired a majority stake in 1983 and took it private in 1989.

A pathfinder prospectus and share placing are planned for next month by the company's broker James Capel.

Less than half the group is to be sold and the company is likely to have a market capitalisation of £30m-£40m.

Three divisions of Illingworth Morris are to be floated under the Woolcombers Group name: Jarmain, which processes UK wool mainly for carpets; Woolcombers (Processors) which processes UK and southern hemisphere wools for carpets and clothing; and Westbrook Lanolin which takes by-products from the first two companies and refines them into pharmaceutical lanolin for cosmetics, toiletry and medical products.

Illingworth Morris is one of 55 subsidiaries of Log Trust, a UK company 75 per cent held by Hartley Investment Trust, wholly owned by Mr Lewis, and 25 per cent held by an offshore trust of which Mr Lewis is the sole beneficiary.

The remainder of Illingworth Morris consists of yarn, weaving and clothes manufacturing operations as well as the Crombie brand name traditionally associated with overcoats.

Background, Page 14

LSI Logic to centre its manufacturing in Japan

By Louise Kehoe

LSI LOGIC, the Silicon Valley semiconductor manufacturer, is to close its plant in Germany, reduce operations in the US and shift most of its manufacturing to Japan and the Asia Pacific region.

About 450 jobs will be lost, including about 275 in Germany, in a broad restructuring of the group's manufacturing and product strategy. "Our cost structure is out of line with the current level of revenues and we are compelled to reduce costs, and do it quickly," said Mr Wilfred Corrigan, chairman and chief executive.

LSI, which specialises in application specific integrated circuits, will take charges of $95m to $110m in the current quarter and expects to report net losses of about $100m. For the second quarter, LSI reported losses of $5.8m on sales of $151.8m.

The German assembly and test factory in Braunschweig was opened in 1985 and is one of the most advanced of its kind in the world. It was built to serve expected strong demand from the European computer industry, Mr Corrigan said, but the anticipated level of demand failed to materialise.

"There is very little PC or computer workstation manufacturing in Europe, and this represents a large portion of our market," he noted.

The rise in the value of the D-Mark against the dollar has made the factory more costly to operate, Mr Corrigan added, and it could no longer compete with the lower costs of subcontractors in Asia.

In addition to closing the German plant, LSI Logic said that over the next 18 months it would shift the bulk of its wafer fabrication operations to Japan where it had a large scale facility and was in the process of constructing a new factory in a joint venture with Kawasaki Steel. Research and development as well as pilot line production would remain in the US.

"Following completion of the new wafer factory in Japan in 1993, LSI Logic does not foresee the need to build new wholly owned plant capacity," said Mr Corrigan.

The company aims either to share the cost of future plants with strategic partners as it has in Japan or to subcontract manufacturing. The cost of new semiconductor plants has risen sharply over the past few years, making them affordable by only the world's largest chip makers.

"By the mid-1990s you are going to see a lot of shared chip plants," Mr Corrigan predicted. LSI's problems stem from losses in the market for personal computer chipsets driven by sharp declines in PC prices.

However, the bigger issue faced by LSI is high overhead costs. The cuts will reduce costs by about $10m per quarter, the company said. LSI projected net losses of about $100m after charges, for the current quarter but said that it hoped to return to profitability in the fourth quarter.

"We are committed to lowering our break-even point, restoring profitability, and pursuing a value-added product strategy with emphasis on intellectual property, ASIC design tools and system-level integration," Mr Corrigan said.

UBS hits back at 'ill-founded allegations'

By Roland Rudd and Robert Peston

UBS Phillips & Drew, the securities house, has written to leading fund managers stressing that it is committed to the "production of independent research" on companies.

The letter is a response to what the firm calls "allegations that Mr Smith has been suspended due to pressure from major companies".

It calls these allegations "ill-founded and objectionable".

Mr Terry Smith, head of the firm's UK research department, was recently suspended for allegedly breaching internal procedures with regard to writing the book, called Accounting for Growth.

It is an expanded version of research published by P&D in January 1991, which highlighted a number of accounting techniques used by companies to boost the level of profits they disclose or minimise the level of borrowings shown on their balance sheets.

Several investment fund managers said they found the UBS letter unconvincing and voiced concern that independent research was being "stifled".

One senior fund manager said: "The fact is we have always suspected that companies can put pressure on security houses. The Smith episode appears to confirm this; nothing in UBS's letter makes us feel any happier about the situation."

The UBS letter, co-signed by Mr Rudi Mueller, chairman, and Mr Hector Sants, vice-chairman head of equities, says analysts are required to show before publication any "significant piece of material" to the company or companies covered by it before it is published.

"We do not, however, in any way guarantee to make changes to reflect differences of tone or interpretation, although a company's views are always considered carefully before our final decision is reached."

The letter goes on to accuse Mr Smith of not going through the standard procedures. It also alleges that a vast majority of the UBS research report in 1991 – on which the book was based – "was written and edited by our senior analyst Richard Bannah".

Mr Smith, who attended a UBS disciplinary hearing on Friday, said: "I was never aware of any standard procedure at UBS.

"As to the writing of the book, I have never taken away the fact that I received help and contributions from my colleagues."

A case of getting the timing right

Daniel Green on the prospective flotation of Woolcombers

KARATE helps keep me calm in stressful situations", says Mr Alan Lewis, a black belt, second dan, who trains three times a week with the top rated karate teacher in the UK.

He is also a committed Christian, head of CBI Eastern Europe – established to boost trade with eastern Europe – and a Lancastrian who controls a string of textiles companies in the traditional enemy heartland of Yorkshire. Next month he plans to float on the stock market a minority stake in part of his textiles empire.

It may not be an easy task, even for as resolute and stress-free a man as Mr Lewis.

He has a strong track record in his favour. At 54, he has had almost four decades of picking bright business ideas and turning them into a lot of cash.

He left school in 1953 at 15 and, after training in printing, made his first fortune by car dealing and redeveloping depressed garage sites.

He then bought loss-making textiles companies, moving them into the property business or making them profitable and selling. His timing was spot on: he got out of markets just before the crash of 1973 and moved to Barbados.

He returned in 1975, when the recession was at its deepest, to buy property shares. The remnants of the Slater Walker financial empire now form his Anglo-Manx Bank.

In 1979 his ambitions settled on a troubled giant of the textiles world, Illingworth Morris. The company had fallen on hard times, beset by interminable squabbles between the board and 46 per cent shareholder Mrs Pamela Mason, a Hollywood chat show hostess and former starlet who had married actor James Mason.

She had inherited control of the company from her father, Isadore Ostrer, a penniless Lithuanian Jew who had arrived in Britain at the turn of the century. He rose from clerk to merchant banker (Ostrer Brothers) and ran the Gaumont British Picture Corporation cinema concern before it was sold to J Arthur Rank.

Ostrer died in 1975 and his heir's eclectic ownership style include board appointments such as Mr Caspar Weinberger,

Alan Lewis: resigned to further encounters with the MMC

who left to become President Reagan's defence secretary, and Mr Tommy Yeardye, a hairdressing tycoon and former escort of British film sex symbol Diana Dors.

As the company's share price and profits slid, and death taxes officials pressed their claims on Mrs Mason, the corporate predators closed in.

It took four years for Mr Lewis to win the takeover battle. He outlasted rival bidders, endured the Mason family's court battles over control of the inheritance, and emerged triumphant from a Monopolies and Mergers Commission investigation.

His record during Illingworth's relatively stress-free quoted days was one of shareholder-pleasing profits growth. In 1982, Illingworth shares traded at 18p. In 1989 he paid 185p a share to take the company private, promising to one day return it to the market.

But Mr Lewis's effectiveness stands in sharp contrast to the patchy investment record of the textiles industry.

There were only a handful of flotations in the 1980s and most hit trouble. One clothing manufacturer, Babygro, was sold within a year for one third of its initial market capitalisation. Others fall into loss, were forced to restructure or to pass dividends.

The company Mr Lewis intends to float, Woolcombers Group, is a different beast. It deals with raw materials rather than clothing. It never assumes ownership of the wool in its charge, rather it earns a "tariff" per kilogramme to turn raw wool into a material suitable for spinning into yarn. This means that turnover and profits are related to volume of business rather than the wool price. The link to volume is one of two main reasons for the timing of the flotation.

Most textiles companies suffered badly over the past three years as a halving of wool prices played havoc with the valuation of stocks.

But the price falls have helped sustain demand at levels about 10 per cent below those in the late 1980s. Low prices should mean steady demand and high volume, the right formula for Woolcombers.

The second reason is that the company has only just emerged from another Monopolies and Mergers Commission investigation, this time into the acquisition of Jarmain, a commission wool scouring company that is now one of the three divisions of Woolcombers Group.

Mr Lewis's strategy – "to become number one in the UK and Europe" – worked too well, according to the MMC. It found that his companies had 52 per cent of the UK commission wool scouring market. Between 1990, when Mr Lewis took control, and this year, Jarmain increased annual turnover by 43 per cent to £6.4m but trebled operating profit to £733,000.

In July this year, after more than two years of MMC probing, Mr Lewis agreed to mothball one of his wool scouring lines for a year – another running alongside is now operating 24 hours a day, seven days a week – and for two more to be closed or sold.

He still controls enough of the industry to implement scouring tariff rises. July's 8 per cent increase, the first in two years, will be followed by another in January. The combination could double operating profits.

Woolcombers Group also dominates other markets. It has 84 per cent of UK lanolin production and about 15 per cent of the £35m world market. It has patents to a treatment called Superwash that makes wool shrink resistant. Superwash has 72 per cent of its market in the UK. Capacity has just been doubled with a new line and the company has licensed the technology to Italy and the US.

Mr Lewis is resigned to further encounters with the MMC. "We are major players in these sectors. We are bound to come across them again," he says.

His record of profitability and success in dealing with the MMC may be enough to persuade the City to dip into the purse for the first textiles flotation of the 1990s.

But there will be two prejudices to dispel first: a decades-long mistrust of the textiles industry based on disappointing financial performance, and a more recent fear of tycoons with quoted companies who maintain parallel private and offshore vehicles. The Lewis empire now consists of several offshore vehicles including the Anglo Manx Bank, as well as 55 UK private companies in property, finance and textiles.

The fact that he intends to keep majority control of Woolcombers Group is unlikely to reassure fund managers.

Rothschild stays quiet over loans

By Ian Rodger in Zurich

SIR EVELYN de Rothschild, chairman of NM Rothschild & Sons of London, and lawyers for Rothschild Bank in Zurich were unavailable for comment Friday and yesterday on reports that the Zurich bank had made loans to a single client above the level permitted by the Swiss Banking Commission.

According to reports in Swiss media, the loans were made to the troubled York Hannover property group led by the Canadian-German financier, Mr Karsten von Wersebe.

RBZ, which is controlled by NMR, early this month sacked one of its top executives, Mr Jürg Heer, after he was arrested for "irregularities" which are understood to centre around making large unauthorised loans.

Last month, the bank revealed that a recent credit review had found that some loans were not fully covered and so it proposed to quadruple its annual provisions in the year to March 31, 1992 to SFr99.8m ($75.6m) and to dissolve its SFr63.5m in hidden reserves "as a safety measure". According to reports in Zurich, the bank's actual total of bad loans may be considerably larger than these figures indicate.

Such loans and provisions are unusual in a bank whose main activity is managing funds for rich individuals in return for fees. As a rule, these funds are invested in very conservative instruments, with a view to protecting clients' capital by avoiding unnecessary risk.

Ciba-Geigy gains 12% in opening term

By Ian Rodger

CIBA-GEIGY, the Swiss chemicals and pharmaceuticals group, said its consolidated net profit in the first half rose 12 per cent to SFr1.4bn ($1.06bn) on sales also up 12 per cent to SFr12.26bn, and forecast "further profit growth during the second half of the year". Cash flow increased 11 per cent to SFr2.03bn.

The strong performance was attributable mainly to the rapid advance of the group's pharmaceutical division where sales jumped 23 per cent to SFr3.2bn. The group claimed this growth was twice as fast as that in the market as a whole and enabled it to move up one rank to become the world's fourth largest supplier of pharmaceuticals.

Ciba cited the successful US introduction of its transdermal patch, Nicotinell TTS/Habitrol, in the division's growth. US sales of the patches exceeded SFr400m in the first half. Although competition was increasing and "proper patient usage" was needed, the group said the patches and a new menopausal drug, Estracomb TTS, would continue to fuel growth through introduction in other countries.

The group's agricultural sectors fared less well. Plant protection sales were flat at SFr2.8bn, hurt by a spring drought in many parts of Europe and changing buying patterns due to changes in EC agricultural policy.

Industrial product sales gained 10 per cent to SFr4.6bn and the group said margins were improving. Growth for the remainder of the year was expected to be driven by sales in the US and Asia, especially of textile dyes, chemicals and additives and pigments.

Ciba pointed out that once again its sales figures were flattered by a weakening Swiss franc. In local currencies, its overall sales growth was only 8 per cent. Since the beginning of the year, the group has set a goal of hedging against potential negative currency effects its total anticipated consolidated profit. Previously, it hedged only the net cash flow exposure flowing to the parent company.

As a result, it said the expected consolidated profit for 1992 was projected at a rate of about SFr1.5 to the US dollar.

The age-old skill of spinning a yarn

By Daniel Green

WOOL PROCESSING is an ancient and arcane business that became industrialised with the spread of steam power about two centuries ago.

Today, wool merchants buy raw wool ("greasy wool") from farmers and usually commission companies such as Woolcombers to prepare it for spinning into yarn.

This starts with the blending of fine and coarse fleeces into mixtures that will end up in knitted or woven clothing or carpets. The finer the wool filaments, the softer the final garment.

Then the wool is scoured: stirred through a series of tanks of hot water and detergent. This removes the "woolgrease", which is skimmed off and refined into lanolin, and suint – dried sheep's sweat.

The clean wool is then "carded", or pulled by a series of wire brush rollers to disentangle the filaments.

In some cases, it is further straightened and aligned by being pulled through a metal grid in "gilling" and the shortest filaments – "noils" – removed by "combing" with a yet finer metal grid.

By this time, the wool is in loose ribbons of fibre without twist called "slivers".

Finally, the slivers are coiled into "tops", usually weighing 10 kilogrammes, compressed and bundled up for shipping to yarn spinners before being woven or knitted into clothing or carpets.

Minorco may close Yuba Westgold unit

By Kenneth Gooding, Mining Correspondent

MINORCO, the Luxembourg-based investment arm of the Anglo American Corporation of South Africa, has given up its efforts to dredge gold from shallow seas. It invested about $90m in two of these ventures in the past five years.

Dredging operations off Nome, Alaska, were permanently shut down in September 1990, and it seems the end is nigh for Yuba Westgold. This company has been producing about 25,000 troy ounces of gold a year with an offshore dredge near Marysville, California.

Western Gold Exploration and Mining, a 78-per-cent-owned Minorco subsidiary which in turn has two thirds and management control of Yuba, said it would not provide additional financing for Yuba.

Consequently Yuba said it may have to file for protection from its creditors under Chapter 11 of the US bankruptcy law after failing to make a scheduled payment to Bank of America.

Minorco originally put $80m cash into Westgold in 1987 in a joint venture with its US subsidiary, Inspiration Resources.

Inspiration contributed some gold properties, including the one off Alaska.

Then in 1989 Westgold paid about $16m and a production royalty for Yuba.

Inspiration Resources and Minorco shared a $30m charge in respect of the Alaskan closure.

NBC exposure to O&Y rises to C$500m

By Robert Gibbens in Montreal

NATIONAL BANK of Canada said its exposure to Olympia & York Developments and related companies rose from C$473m (US$400.8m) to C$500m in the third quarter.

It has made total provisions of C$350m against these loans, including about C$200m in the latest quarter.

Mr Andre Berard, chairman, said the bank's provisions for loan losses in the fourth quarter would be at normal levels and he expected the bank to show a small net profit. The bank has tightened up lending practices and its core business in Canada continues strong.

The extra provisions brought a loss of $118m, or $1 a share, in the third quarter ended July 31 against a profit of $39m, or 25 cents a share, a year earlier. Loss for nine months was $38m, or 52 cents a share, against a profit of $145m, or 94 cents a share, a year earlier.

Telebras ahead at $354m for the first six months

By Bill Hinchberger in Sao Paulo

TELEBRAS, the state-owned telecommunications holding company, announced profits of $354m for the first six months of 1992. In the whole of 1991, the company made $121.8m.

Last week, the government authorised Telebras to make a foreign equities offering of $500m. The company is expected to make a private placement of American Depository Receipts shortly.

Telebras also announced that it would increase domestic long distance and base rates for subscribers by 30 per cent by the end of the year.

The new revenue should help Telebras meet its investment target of $3bn for the current year.

● The Gerdau Group, Brazil's largest private steel producer, announced profits of $29.5m for the first six months of this year.

Company officials said the result was 32.3 per cent better than that for the same period in 1991. Overall, the group registered profits of $36m last year.

Gerdau has been active in the government's privatisation auctions.

The company owns three steel mills once owned by the state. Most recently, in February, it acquired Acos Finos Piratini for $107m, getting a foothold in the specialised steel sector.

Uni chief to propose share plan

By Karen Fossli in Oslo

MR ANDERS Eckhoff, the chairman of Uni Storebrand, the beleagured Norwegian insurer, is today expected to seek board approval to expand the company's share capital by at least NKr2bn ($347m).

The plan will include some form of state participation although Mr Sigbjoern Johnsen, finance minister, has ruled out direct state cash transfers. The state is expected to provide a guarantee for a rights issue and, as the main owner of Norway's top three banks, will order participation in the issue by Den norske Bank (DnB) and Christiania Bank, Norway's two biggest banks, who are experiencing financial difficulties.

Uni has been working on details for a rights issue for several weeks but turbulence within the company and volatility of its share price has slowed the work.

A nominal value of NKr20 per share has been set for the issue but last week Uni's A-share price plunged to new lows ending the week 40 per cent down at NKr13.30 per share on the Oslo bourse, putting its market capitalisation at an estimated NKr1bn.

The board and the state is seeking to avoid writing down below the share's nominal value.

Uni's problems stem from a misguided NKr4.7bn investment to acquire a 28.3 per cent stake in Skandia Forsakrings, Sweden's biggest insurer. Together with Hafnia Holding, the troubled Danish insurer, Uni sought to create a pan-Nordic insurance alliance with Skandia, but failed.

Because of Skandia's limited voting rights Uni's strategy could not be forced on the company which saw the move as hostile and unwelcome. Skandia's share price has been extremely volatile in recent weeks causing the value of Uni's original investment, made at NKr200 a share, to be cut by more than half.

Adding to Uni's woes are demands by some dissident shareholders that the company sell off non-core assets, reduce operating costs by NKr500m annually and return its attention to domestic life and non-life insurance business.

Moody's, the US-based international rating agency, downgraded to "Not Prime" from "Prime-3" the short-term debt rating of Uni Storebrand A/S, the group's holding company, affecting about $250m in its Eurocommercial paper programme.

Moody's said the cut stemmed from continued holding company losses, especially those tied to the Skandia investment and volatility in Scandinavia financial markets.

Midland Bank to lose creator of Vector account

By David Barchard

MR Kevin Gavaghan, the man who invented Vector, Meridian and Orchard, Midland Bank's branded current accounts, is to leave the bank at the end of September after seven years.

Mr Gavaghan, the best-known advocate of strong branding for high-street banking products, said at the weekend that he had decided to move out of banking and back into mainstream retailing services.

His departure from Midland comes amid the restructuring of the bank in the wake of its takeover by Hongkong Bank.

Mr Gavaghan became Midland's marketing director in 1987, having worked earlier in Thomas Cook, Marks and Spencer, and the Burton Group.

He attracted immediate attention across the industry by saying his department resembled Procter and Gamble rather than a clearing bank.

By 1989, the branded current accounts which he had designed were picking up 70,000 customers a week, but when the recession began, financial services designed specially for yuppies and jet-setters lost their appeal and the branded accounts were quietly jettisoned.

He said he hoped his chief legacy at Midland would be increased awareness that different groups of customers have different needs.

"I have no regrets. I could not have been in banking at a more interesting time but I am not sure that I want to be in banking in the near future," Mr Gavaghan said. He declined to comment on whether he was being given compensation for leaving.

McDonnell Douglas warns it will make more lay-offs

A MCDONNELL Douglas executive said declining commercial business and not defence spending cuts were mainly responsible for its 33,864 job cuts over the past two years, Reuter reports from St Louis.

Mr James Caldwell, director of new business development for the aerospace contractor, told the Pentagon's Defence Conversion Commission that more lay-offs would occur in the next two years as some Pentagon programmes were terminated.

"Most of the job eliminations directly attributable to defence programme cuts are still ahead of us, and will be felt with particular severity over the next two years," he said.

McDonnell had 99,096 people on its payroll in June, down from 132,960 in June 1990 because of declining commercial business, divestitures and steps to enhance global competitiveness, he said.

Mr Caldwell told the commission that it expected the US defence market to remain sizeable in spite of budget cuts that could spark more lay-offs.

● TENNECO said it completed its $3bn restructuring programme with the sale of its pulp chemicals business to Sterling Chemicals for about $202m, Reuter reports from Houston.

The company said the $3bn in restructuring measures involved the sale of non-core assets valued at $1.5bn, the issuing of $716m of equity, capital spending cuts of $350m, and cost reductions of $300m.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Fukutake Publishing (Japan)	Berlitz International (US)	Language teaching	£215m	Many approvals needed
Waste Management International (US/UK)	Svensk Avfallskonvertering (Sweden)	Waste management	£34m	Hazardous purchase
Recordati International (Italy)	Lesco Diagnostics (US)	Biotechnology	£1.8m	Part of 3-stage deal
Avonmore Foods (Ireland)/ Nograd Tej Kft (Hungary)	JV	Dairy produce	£0.5m	Liquid milk development
Hasbro Inc (US)	Nomura Toys (Japan)	Toys	n/a	Develops existing relationship
Neste Chemicals (Finland)	Units of BP (UK)	Plastics	n/a	Non-core disposals continue
Elf-Aquitaine (France)	Unit of Schering (Germany)	Electro-plating	n/a	Another non-core disposal
SmithKline Beecham (US/UK)/ Marion Merrell Dow (US)	JV	Pharmaceuticals	n/a	OTC medicines partnership
Axa (France)/Banco Bilbao Vizcaya (Spain)	JV	Insurance	n/a	Subsidiary merger talks on
Unilever (UK/Holland)	Zim van den Bergh (Holland)	Food	n/a	Negotiations well advanced

FLOATING RATE NOTES

Market may carry seeds of its own destruction

THERE are signs of a revival of interest in the floating rate note market, once the most liquid of the Eurobond market. But some traders who lived through the market's collapse in 1986 believe it may carry the seeds of its own destruction.

For the first time since 1986, more floating-rate than fixed-rate debt has been issued in the Eurodollar bond market so far this month. BankAmerica's $500m issue of floating rate notes last week was the largest since the market's heyday in the mid-1980s.

Throughout this year, traders have reported demand from an increasingly broad investor base for paper in the secondary market. Although the market remains dominated by banks, recently fund managers, particularly in the US, and some retail investors have become more active. With dollar interest rates at historic lows, many fund managers believe that interest rates will soon be on their way up.

The credit quality of US banks, which make up a large portion of the issuer base, has started to pick up again, as the US economy emerges from recession. The sector has rallied strongly.

There are some technical reasons for the market's improvement. Swap spreads – the margin which determines at what level a borrower can swap the proceeds of an issue from fixed to floating-rate – have tightened to such an extent, that for some potential borrowers (mainly banks) it is cheaper to issue floating-rate notes than to issue fixed-rate bonds and swap the proceeds.

Some dealers argue that the increase in demand could easily collapse. Most of the recent surge of new issues has consisted of "collared" floaters – floating rate notes with minimum and maximum coupon levels. The buyers of these notes have been Swiss investors, keen to lock in coupons of about 5 per cent, at a time when current money market rates are about 1½ points lower. But, to some dealers, the structure is fatally flawed: as soon as money market rates rise above 5 per cent, much of the value of the paper will be instantly eroded, and investors may face large capital losses.

In the secondary market, consisting mainly of deals issued in or before 1986, the key US bank sector has made the best gains. Some traders argue that the rally can only be partly attributed to credit considerations. Much of the paper in that sector of the market is "floored" – has a minimum coupon level. Investors started buying the paper when money market rates fell below the floor levels on these deals.

If the market is set for a shake-up further down the road, it will not be the first time. In 1986, the market boasted impressive liquidity, with prices for a $50m trade quoted at a three basis point spread.

The ability to raise cheap funds in large size attracted not just banks but sovereign borrowers. The largest outstanding deal is a $4bn floater issued by the UK in 1986, which pays ⅛ point below Libid (the London interbank bid rate) and matures in 1996.

Then, the structure of the market changed suddenly. The investor base was made up largely of banks, which frequently held large portions of each others' capital in the form of subordinated floaters. In 1986, new capital guidelines were mooted by the Basle committee, under which banks holding capital issued by other banks would have it deducted from their capital base.

The perpetual FRN sector collapsed, dragging down prices in the rest of the market with it. "The perp market was predicated on liquidity, and when it dried up, the market went into free-fall," one trader recalled.

At the end of the 1980s, the sharp deterioration of the credit quality of many banks killed off any remaining interest in dated bank paper.

While the US bank sector has improved sharply this year, the rest of the market is a mixed bag. The perpetual FRN market has not recovered.

European bank floaters have underperformed US bank paper. Demand for Italian and Scandinavian bank deals is still flagging, due to the increasing credit concerns about both banking industries, and Japanese bank paper is under pressure. Prices in senior (unsubordinated) paper have been steadier. Last week's BankAmerica deal, which some traders felt was too large at $500m, has tested demand.

Part of the problem for new issues is that they may not mirror secondary market performance. Demand for secondary market paper has been particularly strong from US fund managers, who cannot buy issues until they are seasoned.

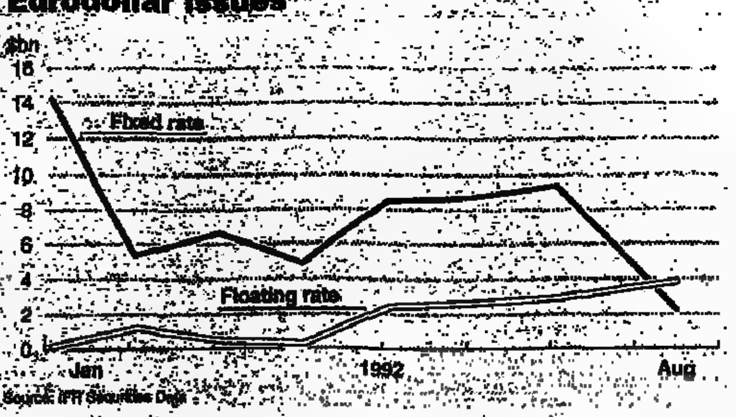
However, on the supply side, there are reasons to expect further activity. Banks are keen to take advantage of one of the few markets which gives them access to subordinated debt, as they struggle to meet the Basle capital guidelines which come into force next year. The deluge of collared deals this month bears witness to their enthusiasm.

After half a dozen years of famine, the market may not be able to digest a feast. But investors' appetites, for the moment, are not sated.

● Landeskreditbank Baden-Württemberg, the German bank, is planning to launch a $500m fixed-rate Eurobond, with a maturity of five to 10 years, in early September. JP Morgan has been mandated to arrange the issue.

Tracy Corrigan

Eurodollar issues



Source: IFR Securities Data

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Dresdner Bank AG(c)‡†	250	2002	10	(c)	100	Dresdner Bank	-
Fuji Bank Intl.(e)♦†	350	(e)	(e)	(e)	100	Merrill Lynch	-
Alisa VII(f)‡†	200	1996	4	(f)	100	Nomura Intl.	-
Fuji Bank Finance(g)‡†	150	(g)	(g)	(g)	100	Fuji Intl. Finance	-
Shearson Lehman(h)‡†	125	1995	3	(h)	99.85	Lehman Bros. Intl.	-
Toyo Kanetsu KK(j)♦†	100	1996	4	2.25	100	Yamaichi Intl	2.25
Societe Generale(k)‡†	210	2002	10	(k)	(k)	Kidder Peabody Intl.	-
KFW Intl. Finance†	500	1997	5	5.75	99.85	Deutsche Bank	5.833
BankAmerica Corp.(m)‡†	500	1995	3	(m)	100	Kidder Peabody Intl.	-
Credit Foncier(n)‡†	200	2002	10	(n)	100	Paribas Capital Mkts.	-
Sumitomo Bank Intl.(o)‡†	250	2006	14	(o)	100	Sumitomo Finance Intl.	-
Sumitomo Bank Intl.(p)‡†	250	2007	15	(p)	100	Sumitomo Finance Intl.	-
Banque Nat. de Paris†	200	1997	5	6.0	101.575	BNP Capital Mkts.	5.634
Columbus 1 Intl. Fin.(u)‡†	24	1997	5	(u)	100	Salomon Bros Intl.	-
Columbus 1 Intl. Fin.(v)‡†	24	1997	5	(v)	100	Salomon Bros Intl.	-
Columbus 1 Intl. Fin.(w)†	12	1997	5	(w)	100	Salomon Bros Intl.	5.125
Bayerische Vbank(x)‡†	50	2002	10	(x)	100	Merrill Lynch Intl.	-
STERLING							
Spintab(r)‡†	100	1997	5	(r)	99.61	Natwest Capital Mkts	-
CANADIAN DOLLARS							
Svensk Export(i)‡†	150	2002	10	(i)	99.95	Kidder Peabody	-
Credit Local de France(q)‡†	125	2002	10	(q)	100	Merrill Lynch Intl.	-
DANISH KRONER							
Den Danske Bank†	300	1997	5	10	101.675	Den Danske Bank	9.512
AUSTRALIAN DOLLARS							
SBAB(t)†	250	1996	4	7.5	98.533	S.G.Warburg Secs.	7.940
D-MARKS							
Petrofina Delaware(s)†	300	1997	5	9	102.05	Deutsche Bk.	8.460
OKB♦	200	2002	10	3	101.65	J P Morgan	2.810
SWISS FRANCS							
Xebio Co Ltd(a)★★§†	70	1996	4	4.625	100	Nomura Bk (Switz)	-
Xebio Co Ltd(b)★★♦†	70	1996	4	3.625	100	Nomura Bk (Switz)	3.625
Meisei(d)★★♦†	50	1996	4	3.625	100	Coutts & Co	3.625
ABB Intl. Finance★★†	75	1994	2	8	101.2	Credit Suisse	7.331
Yuasa Trading★★♦	100	1996	4	3.625	100	Nomura Bank (Suisse)	3.625
Kraftwerke Linth-Limmern†	60	2002	10	7.25	100.25	Zurich Cantonal Bank	7.214
LUXEMBOURG FRANCS							
Cie Bancaire★★†	500	1995	3	9.5	102.05	Banque Paribas	8.696
MBL Finance (Curacao)(l)†	1.5bn	2002	10	9.375	102.25	BIL	9.021
Goldman Sachs Grp.†	750	1996	4	9.5	102.20	Cregem Intl Bk	8.824

★★Private placement. §Convertible. ♦With equity warrants. †Floating rate note. ♦Variable rate note. ‡Final terms. a) Coupon payable semi-annually. Notes carry a put option on 30/9/1994 at 109¼, to yield 8.982. Conversion premium fixed at 2.51%. b) Exercise premium fixed at 2.51%. Non-callable. c) Coupon pays ⅛ below 3 month Libor. Minimum interest rate 5%, maximum 10%. Amount increased from $200m. d) Exercise premium fixed at 2.87%. Non-callable. e) Undated subordinated issue. Callable after 5 years at par. Coupon pays initial margin of 85bp over 3-month Libor and has fall back rate of 1% in years 1 to 5, 1.3% in years 6-10 and 2.05% thereafter and is payable quarterly. f) Coupon pays 131bp over 6-month Libor and payable semi-annually. Non-callable. g) Undated subordinated issue. Coupon pays 90bp over 3-month Libor in years 1 to 5, 130bp over 3-month Libor in years 6 to 10, 180bp over 3-month Libor thereafter. Non-callable. h) Coupon pays 75bp over 3-month Libor. Non-callable. i) Coupon pays 30bp below 3-month Bankers Acceptances. Minimum interest rate 6%, maximum 9½%. Non-callable. j) Exercise premium fixed at 2.69%. Non-callable. k) Amount increased from $160m. Coupon pays ⅛ below 6-month Libor and payable semi-annually. Issue price undisclosed. Non-callable. l) Callable on 30.9.97. m) Coupon pays ⅛% above 3-month Libor. Non-callable. n) Coupon pays ⅛% below 6-month Libor and payable semi-annually. Subordinated issue. Minimum interest rate 5%, maximum 10%. Non-callable. o) Subordinated issue. Callable from August 2001 at par. Coupon pays 45bp above 6-month Libor until August 2001, then 50bp thereafter and payable semi-annually. p) Subordinated issue. Callable from August 2002 at par. Coupon pays 45bp above 6-month Libor until August 2002, then 50bp thereafter and payable semi-annually. q) Coupon pays 20bp below 6-month Canadian Bankers Acceptance Rate and payable semi-annually. Minium interest rate 6⅛%, maximum 10½%. Non-callable. r) Coupon pays 30bp over 3-month Libor. Non-callable. s) Amount increased from DM200m. Non-callable. t) First tranche of A$1bn Global programme. Coupon paybable semi-annually. Non-callable. u) Tranche A of $60m deal. Coupon pays 100bp over 6-month Yen Libor and payable in dollars. Non-callable. v) Tranche B of $60m deal. Coupon pays 100bp over 6-month Dollar Libor. Non-callable. w) Tranche C of $60m. Non-callable. x) Fungible with existing $200m deal issued 6.8.92. Minimum interest rate 5%, maximum 10%. Coupon pays 12.5bp below 6-month Libor. Non-callable. Note. Yields calculated on ISMA basis

Anthony Harris

Stock-picking: a computable art

I SPENT an instructive morning last week at a portfolio management pitch by a very blue-blooded New York bank. It was impressive. These people claim to have made stock-picking a computable art. Computable, because it is highly systematic; an art rather than a science, because the aim is shrewdly modest: "To get it a bit less wrong than the others."

To judge by the results, they get it very significantly less wrong. Could one ask for more?

Well, yes; but before we get to the ungrateful bit of this column, the system deserves serious attention. It rests on a large force of analysts, as you might expect; but analysts with a difference; both in approach and motivation.

The approach rests on an effort to measure the underlying long-term trend of earnings, as much as five years ahead; this should give a more objective measure against which to judge price than the normal historic or one-year prospective price-earnings ratio. The result cannot be guaranteed to be superior, but the method certainly generates non-consensual judgments. One for the long view.

How far is this due to superior science (five-year projections are tricky, to put it mildly) and how far to different motivation? Brokers' analysts no doubt struggle to be objective, but essentially they are part of the sales force: their findings are useful to the firm only when they provoke action.

"Buy", by all means; "Sell", if that is the way the cookie crumbles; but "Hold" earns no commission.

For the portfolio manager, on the other hand, "Hold" is the ideal finding.

It can't come up all the time, because prices change much more than prospects.

Indeed, so far as this search for underlying value is successful, it will lead to active trading as the market catches up; so this is not the passive, widows-and-orphans style of cautious choice and an annual review (which can also be highly successful).

This is, as it were, active long-termism; the reviews are monthly. (Anything more frequent tends to beat the water into a foam.)

The portfolio analyst has another advantage: he can give proper attention to small companies, where the market liquidity may be too small to offer much business to a serious broker. If you analyse the research brokers put out, you will see that smaller companies only get fitful attention, at best.

You might conclude that the fund manager has a natural advantage over the brokers' man; but why, then, does the average manager trail the index?

He is not pressured into short-termism by the needs of the fund; but a quarterly review seems to produce the same result. And in any case, no individual record can get round the fact that successful stock-picking is by definition a minority knack. If we could all do it, there would be no buying opportunities.

If all this meant only that most fund managers were destined to fall short of their ambitions, we could write it off to institutional arrangements, which could be improved, or human nature, which cannot. But the trouble is that stock-picking is not only usually ill-done; it is habit-forming.

Those who spend their lives brooding over lists forget the big picture. And the big picture is that over the past five years any likely share portfolio – even the one we were inspecting with some wonder – would have under-performed a simple switch into bonds.

Hindsight, the frustrated equity man will mutter. But it is not. The bond strategy is not known as the Norwich Union view for nothing.

Cash has also been pretty rewarding in this country, though not in the US. But getting a confirmed equity man even to consider the alternatives is next to impossible especially if he has just spent a morning being shown that somebody is managing to do the job better than he does.

Investment managers (and their committees) should, then, spend a little time in this sad holiday break wondering not just if they could pursue whether their present efforts amount to more than making the best of a bad job.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Market falls under sterling's shadow

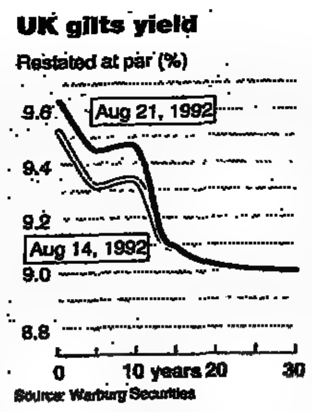
STERLING'S weakness cast a shadow over the gilt market, forcing up yields for short-dated bonds owing to expectations that the UK government may soon be forced to lift base rates.

For longer-dated gilts, buying pressure was depressed ahead of the auction by the Bank of England this Wednesday of £2.5bn of 8.75 per cent Treasury stock payable in 2017. That put a ceiling on price rises at this end of the yield curve.

Meanwhile, gilts were hardly helped by indications from opinion polls of a substantial likely "no" vote in the French referendum on the Maastricht treaty on September 20.

An outcome of this sort would make unlikely a move to economic and monetary union around the turn of the century. That would probably lead to significant selling of gilts by investors, along with other European government bonds denominated in weak currencies.

UK gilts yield



Source: Warburg Securities

Sterling closed on Friday night at below DM2.80 in the European exchange rate mechanism, within a whisker of its permitted floor of DM2.778. The pound's fragility was in spite of concerted government action on Friday to weaken the D-Mark. That took the form of intervention by 16 central banks led by the US Federal Reserve to sell the German currency for dollars.

While much of sterling's recent fall has been linked to the dollar's weakness and the consequent strength of the German currency, investors are worried about the lack of any UK recovery.

Although weak economic activity helps gilt prices on the grounds that inflationary pressures should stay weak for the foreseeable future, the ensuing lack of confidence in sterling reduces demand pressure for UK government bonds.

Such an interpretation was supported by events in the gilt market last week when in thin holiday trading the benchmark short-dated 10 per cent Treasury stock maturing in 1994 lost more than ¼ point, closing on Friday night at 100⅛. Its yield was pushed up during the week from 9.47 per cent to 9.75 per cent. The longer dated 9 per cent Treasury stock due in 2008 closed little changed at 99⅜, for a yield of 9.03 per cent.

Much weaker economic expansion than that expected by the government will make a nonsense of the treasury's calculations about the public sector borrowing requirement, which is pushed up at times of economic fragility.

The PSBR is now thought likely by City economists to be about £33bn this financial year and around £40bn next year – as opposed to the treasury forecasts of £28bn and £32bn.

Such arithmetic explains why the Bank of England is under strong pressure to keep up the pace of gilt sales. Assuming this week's auction is successful, the Bank will have sold an estimated £16bn-£18bn out of the £35bn or so gilts for which it will need to find buyers this financial year.

Peter Marsh

US MONEY AND CREDIT

Caught unawares by a plummeting dollar

JUST when the bond market thought it was safe from President George Bush's appetite for vote-catching tax cuts, it was caught unawares last week by, of all things, a plummeting dollar.

Normally, the dollar does not figure in the bond market's daily calculations, but so unnerving was the currency's decline on Friday (it fell to its lowest ever value against the D-Mark of DM1.4310 in spite of concerted attempts by world central banks to prop it up) that treasury investors turned tail and ran.

What had been a solid half a point rally in 30-year bonds was turned into a half a point decline in barely an hour. The initial rally on Friday morning had been a response to President Bush's acceptance speech at the Republican convention.

Those early gains in bond prices, however, were not an unconditionally positive response to the president's rhetoric or his economic battleplan, but rather an expression of relief that Mr Bush had not announced a deficit-widening package of tax cuts. He did propose to cut taxes, but only on condition that Congress agreed to some balancing reductions in spending.

Explaining why the bond market took fright at the dollar's decline is not easy. Typically, there are two main reasons why bonds do not like a falling dollar.

First, the lower the currency goes, the less room the Federal Reserve has to cut interest rates.

The last thing the dollar needs is a further widening in the differentials between US and German interest rates. Second, a falling dollar can lead to higher inflation over the long term by raising the cost of imported goods.

However, neither were particularly convincing explanations for why bonds fell so sharply last week. Insiders suggest the Fed would be prepared to cut rates again no matter what the consequences for the dollar. And inflation, currently hovering around 3 per cent, is likely to remain unthreatening for at least another year or two, even with higher import prices.

The most likely cause for the decline on Friday was a combination of the weak dollar and a dawning realisation in the wake of the president's speech that neither the Republican nor the Democratic candidates are willing to bite the budget deficit bullet.

As Mr Joe Taylor, foreign exchange analyst at Technical Data in Boston, said when asked about the fall in the dollar and bond prices: "I think what we are getting here is global capital calling for a mandate to cut the Federal budget deficit."

Given that President Bush and Governor Clinton's deficit-cutting plans are both highly unconvincing – one has promised to cut taxes and spending, the other to raise taxes and spending – those calls are likely to go unheeded.

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Is it Salomon revisited?

The Federal Reserve has confirmed that it is taking a closer than usual look at what is happening to the market in five-year notes maturing in July 1997.

In the past week, there has been a severe shortage of the five-years, the result of a squeeze by a few institutions that control a large amount of the issue.

Traders who sold the issue short in anticipation of a drop in five-year prices have had to borrow the five-years from the few institutions that hold them.

Because they need the five-years so desperately, the short sellers have been forced to lend money at effective annual interest rates of under 1 per cent in repurchase agreements to get hold of the five-year notes.

While squeezes of various kinds happen all the time in the bond markets, the severity and length of the five-year squeeze has attracted special attention from the Fed. So far, however, there is no suggestion that the Fed will follow its new policy unveiled in the wake of last year's Salomon scandal and issue extra five-year notes to ease the shortage of supply.

Patrick Harverson

SWISS BONDS

Investors languish in the doldrums

IT has been another disappointing year so far in the Swiss franc bond market, with investors still waiting for the decisive interest rate move that could set off a rally and issuers still finding better terms in the swap market.

The total volume of new issues in the first seven months slumped by nearly a quarter to SFr22.4bn and would have tumbled further but for the deterioration in public sector finances in Switzerland.

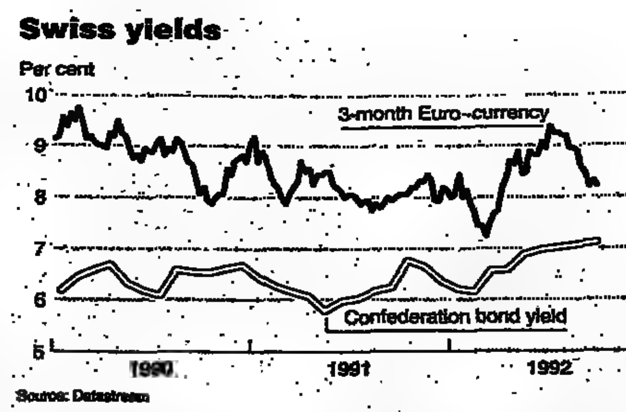
In the domestic part of the market, which is made up mainly of government and government guaranteed issues, the volume of new issues jumped 30 per cent to SFr12.66bn in the first seven months.

The federal government expects to run a record SFr5.6bn fund raising programme this year, and most of the big cantons have also become big borrowers.

By contrast, new issues in the once very active foreign sector halved in the first seven months to SFr9.75bn. The main reasons for this decline are fairly familiar. Foreign issuers, in particular, have been put off by the uncharacteristic volatility and weakness of the Swiss franc.

Meanwhile, the rising trend in long-term interest rates has encouraged investors to stay in short-term instruments where yields have been higher anyway. The recessionary climate has made industrial companies shy to invest and banks reluctant to lend.

Swiss yields



Source: Datastream

A factor peculiar to the Swiss market has been the drying up of public issues by Japanese borrowers. In the late 1980s, when the Japanese stock market was booming, there was a huge flow of issues, most equity related, by Japanese companies. This year there have been almost none.

Ironically, this deterioration of the market has come during a period when several steps have been taken to improve its notorious lack of liquidity. Typically, bonds issued in the Swiss franc market have been placed over a period of two or three weeks and not seen again until maturity. Even now, according to the Geneva bankers Pictet & Cie, only about five federal government issues and a similar number of others have any significant secondary trading.

Until last year, there were no issues large or long enough in the Swiss franc market to serve as benchmarks. The first steps to fill this gap came when Swiss Bank Corporation led a SFr600m issue for the World Bank and a two-step SFr800m issue for the European Investment Bank.

This year, the federal government, which used to come to the market only three or four times a year with relatively small issues, agreed to start a monthly treasury auction programme, which would consist of tap issues of varying coupon rats that could become benchmarks.

The issues, which began in May, have all been around SFr500m and coupons have ranged from 6.5 per cent to 7 per cent. Dealers say these issues have already improved liquidity and cut the spread between bid and offer prices. The start-up this year of bond futures on the Soffex exchange has also helped improve liquidity.

The next government auction is due to be announced today, and analysts are expecting another SFr500m tranche of the 7 per cent coupon issue or perhaps a new issue at a slightly higher coupon. "If they try a lower coupon, interest in it would be subdued," says Mr Franz Ruegg of Bank Julius Baer in Zurich.

After two years of depressed market conditions, bond analysts are reluctant to show much optimism about the near-term outlook, but they do point to some encouraging signs.

The franc has remained strong in recent weeks in spite of the Swiss National Bank's refusal to follow German rate increases, and some analysts suspect that the current turmoil in Europe over currency unification and the French referendum on the Maastricht agreement is helping to restore the franc's haven role.

They also point out that inflation in July at 3.8 per cent was half its level of a year earlier, making real interest rates very attractive. And short-term rates have come close enough to long term ones in the past few days that investors could start to be tempted to shift some cash into bonds.

Ian Rodger

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid	Offer	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	107½	[illegible]	[illegible]	4.47
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PRUDENTIAL RLTY SECS 0 99	365,216	64⅝	[illegible]	+¼	7.12
QANTAS AIRWAYS 8 5/8 96	97.75	109⅝	[illegible]	+⅛	5.66
QUEBEC HYDRO 9 01	300	110⅛	[illegible]	+⅛	7.24
QUEBEC HYDRO 9 3/4 98	150	115¾	[illegible]	+¼	6.65
QUEBEC PROV 9 98	200	111¼	[illegible]	+⅛	6.53
QUEENSLAND GOVT 10 1/4 95	100	113¼	[illegible]	+⅛	5.33
RALSTON PURINA 11 3/4 95	150	114¼	[illegible]	+⅛	5.85
REED PUBLISHING 9 5/8 97	150	113¼	[illegible]	+⅛	6.40
SAINSBURY 9 1/8 96	150	111	[illegible]	+¼	6.02
SAS 10 99	200	112½	[illegible]	+½	7.56

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrants ex yld = exercise yield at current warrant price.

Closing prices on August 21

THE WEEK AHEAD

ECONOMICS

Better news on UK deficit

THE UK's visible trade deficit deteriorated only marginally in June and mainly because of a reduced oil surplus. But the small change masked a sharp fall of 3.5 per cent in the value of exports which was mostly, but not entirely, offset by weaker imports.

Today's figures from the Central Statistical Office are forecast to show a small narrowing of the visible trade deficit even though the recent trend has been for imports to grow faster than exports.

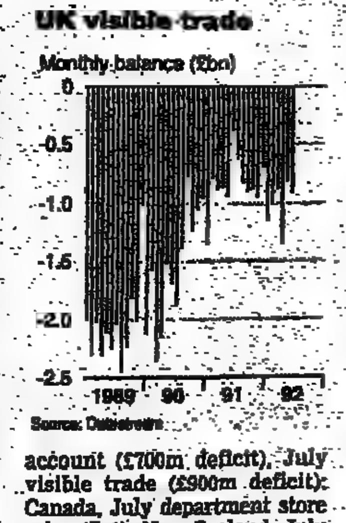
In France, second quarter GDP figures are out on Friday. The forecast is for almost flat growth after a 1.1 per cent rise in output in the first quarter, when France was one of Europe's fastest growing economies.

This week could be difficult for the US authorities if the dollar continues to come under pressure. Although there are relatively few sensitive statistics out this week, the Conference Board's consumer confidence survey out tomorrow is important.

If it does not show signs of life the dollar could suffer further losses and the forecast is for only a marginal increase from 61.0 in July to 61.9 in August.

The following are some of the other economic events of the week. The figures in brackets are the median of analysts forecasts and come from MMS International, a financial information company.

Today: UK, July current account (£700m deficit), July visible trade (£900m deficit); Canada, July department store sales (flat); New Zealand, July trade balance.



Source: Datastream

Tomorrow: US, July existing home sales, August consumer confidence (61.9), car sales August 11-20 (6.2m); Canada, June wholesale trade (up 0.6 per cent), June employment earnings (up 3.1 per cent); Australia, skilled vacancies in the second quarter.

Wednesday: US, July durable orders (up 0.5 per cent), July durable shipments; France, July trade balance (FFr1.5bn surplus); UK, July net new mortgage commitments (3.2bn); Australia, July manufacturing production statistics, July motor vehicle registrations (down 5.5 per cent).

Thursday: US, preliminary GDP figures Q2 (up 1.6 per cent), preliminary GDP deflator Q2 (up 2.4 per cent), after tax corporation profit Q2 (up 6 per cent), initial claims for week ended august 15 (403,000), July export price index, July import price index, money supply data for week ended August 17; Australia, Q2 earnings; Japan, July retail sales (down 2.4 per cent on year), July industrial production (up 1.7 per cent).

Friday: US, July personal income (up 0.3 per cent), merchandise trade Q2, July bank credit; UK, Confederation of British Industry monthly trends survey; France GDP Q2 (up 0.1 per cent); Australia, net foreign debts Q2, company profits Q2, private sector stocks Q2; Japan, July unemployment rate, August consumer prices index – Tokyo (up 1.9 per cent on year), excluding perishables (up 2.2 per cent on year), July CPI – nation (up 2 per cent on year), excluding perishables (up 2.3 per cent on year).

During the week: Germany, preliminary figures for August cost of living (up 0.1 per cent on month, up 3.4 per cent on year), July import prices (down 0.5 per cent on month, down 3.4 per cent on year); France, July unemployment rate (10.3 per cent); Belgium, August CPI (up 2.5 per cent); Italy, July hourly earnings (up 3.6 per cent), July bank lending (up 14.5 per cent), June PSBR, July trade balance (L0.5trillion deficit); Switzerland, August Geneva CPI, August Basel CPI.

Emma Tucker

RESULTS DUE

BRITISH GAS announces its second quarter results tomorrow, the first since it called for a Monopolies and Mergers Commission inquiry into the UK gas market.

The share price has slipped slightly on the resulting uncertainty and is unlikely to be boosted by Tuesday's figures. Expectations range widely, from a historic cost net loss of £75m to a £150m profit, reflecting forecasting difficulties in the first year of quarterly reporting by British Gas and a changed year-end from March to December.

Interest centres on the dividend, with the market looking for a signal that the payout will not be affected by the MMC referral and recent regulatory changes. Estimates range from 6.4p to 7.7p for the first half, with most around 6.5p.

WH Smith is expected to report on Wednesday pre-tax profits for the year to May 31 of £110m-£114m. This will be a healthy increase on the previous year's £89m, helped by last summer's rights issue and the disposal of its loss-making TV division. The retailer is likely to raise its full-year dividend to 13p or 14p from 12.5p.

Newspaper wholesaling, the subject of a Monopolies and Mergers Commission study launched this past week, has continued to perform strongly. US operations have been good and UK retailing reasonably resilient. But Do-It-All, the DIY chain owned jointly with Boots, is likely to have made a much lower contribution.

Guardian Royal Exchange, the smallest of the UK's five leading composite (general and life) insurers, is expected to report a cut in pre-tax losses on Wednesday, underlining the sector's recent improvement. Pre-tax losses are expected to fall to between £45m and £60m compared with an £88m deficit at the interim stage last year.

UK COMPANIES

TODAY
COMPANY MEETINGS:
Lep, London Press Centre, Shoe Lane, E.C., 10.00
BOARD MEETINGS:
Finals:
Aerospace Engineering
PHH
Interims:
Epwin
Lionheart
Molynx

TOMORROW
COMPANY MEETINGS:
Booth Industries, Pembroke Halls, Worsley, Manchester, 11.15
Moorgate Inv. Trust, 49, Hay's Mews, W., 11.00
BOARD MEETINGS:
Finals:
River & Merc Smaller Co
Interims:
Bousted
Bridon
British Gas
Fidelity Accumulating Money Fund
Fidelity Distributing Money Fund
Grassby
Kerry Group
Mersey Docks & Harbour
Murray Intl.
Wales City of Lon Prop

WEDNESDAY AUGUST 26
COMPANY MEETINGS
Gibbs Mew, The Cloisters, Ivy Street, Salisbury, 2.30
Swan (John), New Mart Road Edinburgh, 3.30
BOARD MEETINGS:
Finals:
News Intl.
Smith (W.H.)
Interims.
Amicable Smaller Ent. Tst.
Daniels (S)
Friendly Hotels
Guardian Royal Exchange
Halls Homes & Gardens
Irish Continental
Latin American Inv. Tst.
Mallett
Wace

THURSDAY AUGUST 27
COMPANY MEETINGS:
Greene King, The Theatre Royal Westgate Street, Bury St. Edmonds, Suffolk, 12.00
Hollas, Cottons Hotel, Knutsford Cheshire, 9.30
Scottish & Newcastle, Edinburgh Sheraton Hotel, 1, Festival Square, Edinburgh, 11.30
BOARD MEETINGS:
Finals:
County Smaller Co's Inv
Murray Income
Interims
Cattle's
Church
Hambro Countrywide
Jones (A)
Monument Oil & Gas
Scottish Eastern Inv.
Smaller Co's. Inv. Tst.
Weir

FRIDAY AUGUST 28
COMPANY MEETINGS
Creighton's Naturally, Abingworth Hall Hotel, Thakeham, Storrington, West Sussex 11.00
Learmonth & Burchett, CBI Conference Centre, 103 New Oxford Street, W.C., 3.15
Trencherwood, Donnington Valley Hotel, Newbury, 11.00
BOARD MEETINGS
Finals
Conder
Stavert Zigomala
Interim
Elle Indmar

Company meetings are annual general meetings unless otherwise stated

DIVIDEND & INTEREST PAYMENTS

TODAY
Burton 8pc Ln. 1996/2001 £4
Citicorp Fltg. Rate Cap. Nts. 1996 $870.84
Commonwealth Bank of Australia Undated Fltg. Rate Nts. $224.21
Govett $0.095
Northern Rock Bldg. Society Fltg. Rate Nts. 1994 £171.88
Royal Bank of Canada C$0.29

TOMORROW
Aluminium Co of Amer. $0.40
Argyll 3.55p
Eaton $0.55
Exchequer 12¼pc 1992 £6.125
M & G Dual Trust 30.55p
Ranks Hovis McDougall 8⅛pc Ln. 1990/94 £4.0625
Do. 8¾pc Ln. 1991/95 £4.4375
TSB Gilt Fund Pf. (Class B) 0.833p
Treasury 8¾pc 2017 £2.1744

WEDNESDAY AUGUST 26
Brown & Tawse 1.85p
Carlton Communications 6.7p
Gartmore Scotland Inv. Tst. Income 2.8p
Do. Package Units £7
General Motors 10pc Nts. 1994 Ecu100
Lloyds Eurofinance Gtd. Fltg. Rate Nts. 1999 £127.25
Merchants Trust 2.66p
Merrill Lynch $0.30
New Zealand Fltg. Rate Nts. 1997 £127.25
Standard Chartered Sub. Fltg. Rate Nts. 1996 £127.73
Swan (John) 15p
Treasury 10pc 2001 £5
Vodafone ADR $0.719

THURSDAY AUGUST 27
BET 2.25p
Do. ADR $0.222
British Steel ADR $0.3790
Denmans Electrical 1.8p
Donelon Tyson 1.2p
Eurocamp 3.45p
Greene King 8.1p
NKK 6pc Nts. 1997 Y118750
Racal Electronics 0.7p
Tokuyama Soda 6pc Nts. 1996 Y160000
Treasury 9¾pc 2002 £4.875

FRIDAY AUGUST 28
Allied Colloids 3.02p
Bank of Montreal C$0.53
Bank of Nova Scotia Fltg. Rate Sub Debs. 2085 $230.66
Bank of Scotland (Governor & Co of) Und. Variable Rate Nts. $127.97
Baring Tribune Inv. Tst. 1.7p
Berkeley 3.5p
Bisichi Mining 0.6p
Bradford & Bingley Bldg. Society Fltg. Rate Nts. 1994 £251.74
British Land 4.38p
Cassidy Brothers 1.65p
Cater Allen Gilt & Futures Fund £40
Cater Allen Gilt Inc Fund 30p
Cigna Overseas Finance 13pc Ln 2008 £6.50
City of Oxford Inv. Tst. 1.2p
Collateralised Mortgage Securities (No. 7) Class A1 Fltg. Rate Nts. 2028 £204.30
Do. Class A2 Fltg. Rate Nts. 2028 £262.62
Do. Class A3 Fltg. Rate Nts. 2028 £265.11
Collateralised Mortgage Securities (No. 9) Class A1 Fltg. Rate Nts. 2033 £168.65
Do. Class A2 Fltg. Rate Nts. 2033 £262.62
Do. Class A3 Fltg. Rate Nts. 2033 £264.38
Contra-Cyclical Inv. Tst. 2.25p
Cosalt 4.25p
Dawson Intl. 6.1p
Drayton Far Eastern 0.125p
Electricite de France 12½pc Ln. 2008 £312.50
First Chicago Overseas Finance Gtd. Fltg. Rate Nts. 1994 £132.71
Fleming American Inv. 0.35p
French (T) 1.45p
Geared Income Inv. Tst. 1.5p
General Motors Acceptance Corp of Canada Fltg. Rate Nts. 1995 C$452.88
Gestetner 1.8p
Do. Cap. 0.075p
GN Great Nordic DKr12
Great Western Financial $0.23
Greencore Ir3p
Halifax Bldg. Society Fltg. Rate Nts. 1996 £128.63
Investment Company 1p
Jersey Electricity A 12p
Lloyds Bank Prim. Cap. Und. Fltg. Rate Nts. (Series 2) $107.43
Do. Prim. Cap. Und. Fltg. Rate Nts. (Series 3) $229.40
Lon. & Associated Inv. 0.45p
Mitsubishi Bank Fltg. Rate Sub. Ln. Part. Certs. 2000 $1086.11
Morgan Grenfell Und. Prim. Cap. Fltg. Rate Nts. $243.30
Murray Intl. Tst. 2.7p
Nat. Westminster 7pc Pf. 2.45p
Do. Und. Var. Rate Nts. $130.50
Do. Prim. Cap. Fltg. Rate Nts. Series C $105.85
Nationwide Bldg. Society Fltg. Rate Nts. 1993 £255.29
Neotronics Technology 0.85p
Neste Fltg. Rate Nts. 1994 $265.42
NHL (1) Securities Deferred Interest Mortgage Backed Fltg. Rate Nts. 2028 £686.66
Nu-Swift 10p
Ragby Gtd. Fltg. Rate Nts. 1997 $10976.88
Do. Gtd. Fltg. Rate Nts. Aug. 1997 $13618.40
Royal Bank of Canada Fltg. Rate Debs. 2005 $26.74
Scantronic 2.185p
Scott Pickford 0.8p
Security Servs. 4½pc Pf. 1.575p
Smith New Court 3.5p
Sphere Inv. Tst. 0.75p
TGI 1p
3i 11¼pc Gtd. Bds. 1996 £112.50
Throgmorton Trust 0.9p
TMC P I M B S Fifth Financing Ord. Nts. Issue 6 2028 £203.84
TMC P I M B S Ord. Nts. Issue 1 2030 £254.66
TMC P I M B S Seventh Financing Class A Nts. Issue 8 2031 £261.38
Do. Class B Issue 8 2031 £268.84
Tokyo Electric Power 8¾pc Nts. 1998 $437.50
TR City of London Tst. 1.19p
Do. 20pc Pfd. 7p
Do. 6pc Pf. £2.10
Do. 6pc 2nd Pf. 2.1p
TSB Var. Rate Sub. Nts. 2003 £262.62
Woolwich Bldg. Society Sub. Fltg. Rate Nts. 2001 £5643.99

SUNDAY AUGUST 30
BP America 11⅛pc Gtd. Nts. 1994 A$111.25

CONTRACTS & TENDERS

JAMAICA PUBLIC SERVICE COMPANY, LTD.

30-35 MW COMBUSTION TURBINE GENERATING PLANT, HUNTS BAY, JAMAICA

The Government of Jamaica has received a loan from the International Bank for Reconstruction and Development (The World Bank) in various currencies towards the cost of Energy Sector Deregulation and Privatization Project and it is intended that part of the proceeds of this loan will be applied to eligible payments under the contract for the construction of 30-35 MW Gas Turbine Power Plant with all accessories, underground transmission, and switchyard modifications on a turnkey contract basis at its existing Hunts Bay, Jamaica plant. The Combustion Turbine Plant will be owned by the Jamaica Public Service Company, Limited (JPSCo.) and the Project Schedule indicates commissioning of the Plant in December 1993.

Tendering is open to all suitably qualified Tenderers from member countries of the World Bank, Switzerland, and Taiwan, China.

A complete set of Tender Documents may be purchased by any interested eligible Tenderer on the submission of a written application to JPSCo and upon payment of a non-refundable fee of US$300.00. Each document set will be sent via air courier for an additional fee of US$50.00 if requested by Tenderer. Tender Documents will be available beginning August 24, 1992.

Interested Tenderers may request further information or the Tender Documents from:

Mr E. L. Munroe
Power Engineering Consultant
Jamaica Public Service Co., Ltd.
6 Knutsford Boulevard
P.O Box 54
Kingston, Jamaica, W.I.
Fax No. (809) 926-4620

LEGAL NOTICES

Notice of Appointment of Joint Administrative Receivers
MORGAN & FORD CONTRACTS LIMITED
Registered number: 1217229
Nature of business: Electrical and Plumbing. Trade classification: 27. Date of appointment of joint administrative receivers: 3 July 1992. Name of person appointing the joint administrative receivers: Lloyds Bank Plc. R M Addy and A Robertson Joint Administrative Receivers (Office holder nos 1031 and 7453)
Cork Gully, Midsummer Boulevard, Central Business Exchange, Central Milton Keynes MK9 2DF

COMPANY NOTICES

LEEDS PERMANENT BUILDING SOCIETY
£250,000,000
Floating Rate Notes Due 1997

In accordance with the terms and conditions of the Notes, the interest rate for the period 21st August, 1992 to 23rd November, 1992 has been fixed at 10.44375% per annum. The interest payable on 23rd November, 1992 against Coupon 11 will be £268.23 per £10,000 nominal and £2,682.27 per £100,000 nominal.

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ROYAL BANK OF CANADA

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CLUB CLASS, First Class Economy Discount fares exports. Richmond Travel 081-332 2288 ABTA 52181 - IATA

FRANCHISING

The FT proposes to publish this survey on **September 23 1992.**
The weekday Financial Times is read by 83,000 of the UK's business managers and 24,000 Chairmen, MD's and deputy MD's, both essential target audiences interested in both sides of the Franchising coin.*
To reach these people and other important decision makers worldwide contact
Gavin Bishop
Tel: 071-873 4780
Fax: 071-873 3064

*Data source * BMRC Businessman Survey 1991*

FT SURVEYS

CONFERENCES & EXHIBITIONS

SEPTEMBER 2-3
World Aerospace & Air Transport
Changes in the structure of the world airline and aerospace industry, the impact of the Single European Market in air transport and its implications in the globalisation process will be under discussion. Enquiries: Financial Times Tel: 071-251 9321 Fax: 071-251 4686
LONDON

SEPTEMBER 8
FIGHTER AIRCRAFT OF THE FUTURE
International Seminars & Symposia Centre ISSC seminar
Telephone (+49) 228-6483-168
Telefax (+49) 228-6483-300
LONDON

SEPTEMBER 9
VAT - The Constant Change
Ernst & Young will be holding an afternoon VAT conference at the QEII Conference Centre, with sessions on The Single Market, Excise & Customs duties, VAT case law, property transactions and recent developments. Fee £94. Contact: Elizabeth Chinoy, Ernst & Young Tel: 071 931 2438 Fax: 071 931 1120
LONDON

SEPTEMBER 9-10
Introduction to Options Course - Parts 1 & 2
Day 1: Basic Terminology, Option Pricing, Trading & Hedging Strategies; Day 2: Volatility, Advanced Trading Strategies, Portfolio Management. Venue: Cambridge Science Park, CAMBRIDGE. £345 (1 day only), £595 (both days). Contact: Gillian Beckett, Brady Financial Seminars. Tel: 0223 423250
CAMBRIDGE

SEPTEMBER 10
Vietnam - Asia's next Tiger?
CBI/British Consultants Bureau conference providing the latest information on business conditions and opportunities open to traders and investors resulting from the Vietnamese Government's changes in economic policy. Contact: Nicki Cann, CBI conferences 071 379 7400
LONDON

SEPTEMBER 14-17
FIRE 92
The national conference and exhibition for the whole fire protection profession. The Winter Garden, Eastbourne, Sussex Contact: Jane Malcolm-Coe, FMJ International Publications Ltd Tel: (0737) 768611. Fax: (0737) 761685
EASTBOURNE

SEPTEMBER 16
Retail Investments Regulation
The aim of the conference is to review retail regulation, how it will work in practice, the conduct of business in the new regime, commissions and approaches to training. Enquiries: Financial Times Tel: 071-251 9321 Fax: 071-251 4686
LONDON

SEPTEMBER 17-18
The Key Partnership - Accounting for the Future
The first national conference for employers and academics concerned with education and training of financial management. Contact Denice Howard at CIMA The Chartered Institute of Management Accountants National Employers' Group Conference. Tel: (071) 637 2311 Fax: (071) 631 5309
LONDON

SEPTEMBER 17-18
Introduction to M & A in Europe
If you are considering a European acquisition, there is a 50% chance that it could fail. Minimise the risks by taking advice from top experts who will take you through the acquisition maze in Europe. Contact AQUISITIONS MONTHLY Tel: 071 823 8740 Fax: 071 581 4331
LONDON

SEPTEMBER 18
Working with Regulation
A one-day conference at the London School of Economics bringing together the regulators and the regulated from the fields of electricity, gas, water, aviation, telecommunications et. al. Themes: European constraints; natural monopolies; quality of service; environmental concerns. Details: LSE Tel: 071 955 7227 Fax: 071 955 7676
LONDON

SEPTEMBER 18-20
W.D. Gann Workshop/Seminar
By Les Clemens.
An exciting three day opportunity of instruction by one of the most successful Gann traders in America. This course is for Amateurs and Professionals alike. Call 0728-73413 or Fax: 0728-73656 for information pack.
LONDON

SEPTEMBER 21
Making Profit Related Pay Work
A vital event for finance directors, personnel officers and their professional advisors. Speakers include Stephen Dorrell, MP Financial Secretary to the Treasury and David Farmer, Savings and Investment Division, Inland Revenue. Contact: Sarah Avian, IBC. Tel: 071 637 4383 Fax: 071 631 3214
LONDON

SEPTEMBER 21
Value Based Planning and Shareholder Value
Strategic Planning Society Conference. Concepts, techniques and UK experience of this emerging approach to increasing shareholder value. Key speakers: Joel Stern, Stern Stewart, New York; Kenneth Favaro, Marakon, London. Panellists: D.J. Houlder, Sine Circle; P. McNamara, Lloyd's Bank. Details:- Jo Hoyle, Strategic Planning Society 071 636 7737
LONDON

SEPTEMBER 21
Creating World-Class Products
CBI/DTI Conferences which considers ways to create a culture of constant innovation by examining the best practices adopted by a range of companies of differing sizes operating in international marketplaces. Contact Nicki Cann, CBI conferences 071 379 7400
LONDON

SEPTEMBER 21 – 22
The 1992 European Accountants' Forum
"Open Minds Open Markets...Open Risks." Within the EC and throughout Europe there are widely divergent views about the direction and the problems facing the accounting profession. Learn from the major players in the market. Contact: Anne McGlynn, Lafferty Conferences. Tel: (+353-1) 718022. Fax: (+353-1) 713594
LONDON

SEPTEMBER 23
Business Process Re-Engineering (BPR)
CBI/Develin & Partners conference, chaired by Brian Redhead, which examines the latest development in this new, emerging field through practical descriptions by organisations who have undertaken BPR reviews. Contact: Karen Trevitt, CBI Conferences 071 379 7400
LONDON

SEPTEMBER 23
Business Process Re-Engineering
CBI/Develin & Partners Conference. The latest developments in BPR and techniques available will be described by organisations including BBC, ICI, Lucas and Sun Life Assurance. Contact: Julia Robins, Develin & Partners, Tel: 071-548 9988, Fax: 071-895 1357
LONDON

SEPTEMBER 23-25
Introduction to Venture Capital
From generating deal flow to finding an exit for portfolio companies, the evca Institute, taught by senior investment professionals, introduces the principles of venture capital industry using a case study approach. Contact: Catherine Lewis, European Venture Capital Association, Tel 32 2 720.6010. Fax 32 2 725.3036
LONDON

SEPTEMBER 24
Go for Green - Reap the Rewards
Enhancing environment practice can be a positive challenge with commercial and ethical rewards. Ignoring these issues could prove disastrous for your company. This Institute of Directors Conference is vital for all Directors and Company Secretaries. Enquiries:- Director Conferences 071 730 0022
LONDON

SEPTEMBER 25
Tax Planning - Foreign Domiciliaries - Non-Resident Trusts
Find out how to prepare your response to the impending 'revolution' to the law of domicile and how to cope with the new Inland Revenue Statement of Practice. Contact: Vicki Goffin, IBC Legal Studies and Services Limited Tel: 071-637 4383 Fax: 071-631 3214
LONDON

SEPTEMBER 28 & 29
Retailing in the 1990's
Responding to the challenge of change will be the focus of the conference, looking at the effects of the recession, the Single Market and the changing environment. Enquiries: Financial Times Tel: 071-251 9321 Fax: 071-251 4686
LONDON

SEPTEMBER 29-30
Enterprise Development in Eastern Europe
Major conference for executives of private/public companies and academics, at Manchester Business School, to discuss the latest opportunities and issues involved in the dramatic growth of Enterprise Development in Eastern Europe. Contact Susan Hogan, 061 275 6539
MANCHESTER

OCTOBER 1
Sharing for Success
Share ownership provides a means of involving employees and directors in the future success of the business. This IOD seminar includes case-studies, various scheme types and the effects of legislation for both listed and unlisted companies. Enquiries:- Director Conference 071 730 0022
LONDON

OCTOBER 6
The City Crude Oil and Oil Product Trading Conference
Cityforum Ltd in association with the International Petroleum Exchange of London - Skinners' Hall in the City of London. Sponsored by Andersen Consulting, Clifford Chance, IBM UK Ltd, The Wall Street Journal Europe and Telerate. Enquiries to: Lindsey Neil Tel: 0225-466744 Fax: 0225-442903
LONDON

OCTOBER 5&6
Latin American Capital Markets
To review growth prospects for the Latin American economies: Raising new equity, issuing new debt and stock exchange reform. Enquiries: Financial Times Tel: 071-251 9321 Fax: 071-251 4686
LONDON

OCT 5 - NOV 23
FT - City Course
The course is designed to provide a broader understanding of all aspects of the City of London and the factors that make it a pre-eminent financial and trading centre. Enquiries: Financial Times Tel: 071-925 2323 Fax: 071-925 2125
LONDON

OCTOBER 7
Strategy and Planning in the Corporate and IT Domains
A seminar in 3 sessions at the LSE for senior executives involved in Corporate strategy and the management and planning of information systems. Continuing 4 november, 2 December. Fee: £290. Contact: Short Course Office, LSE, Houghton Street, WC2A 2AE. Phone: 071-955 7227, Fax: 071-955 7676
LONDON

OCTOBER 7
Latin American Privatisation Programme
To assess the opportunities and risks of Latin American privatisation: Prospects for corporate restructuring and mergers and acquisitions. Enquiries: Financial Times Tel: 071-251 9321 Fax. 071-251 4686
LONDON

OCTOBER 7
Bridging Business & Technology
This IOD conference in association with the CSA, will give buyers an insight into the changing face of technology and business re-engineering. Vital for buyers & suppliers of IT services; audience participation is encouraged. Enquiries:- Director Conferences 071 730 0022
LONDON

OCTOBER 14-15
Responses to Rio: The Business Impact
A 2 day symposium hosted by Imperial College's Global Environmental Research Centre, to provide authoritative information form eminent world experts on the Rio Summit, with crucial discussions on Agenda 21. For enquiries: Pamela Manser, Tel: 071 225 8666/7, Fax: 071 225 8668
LONDON

OCTOBER 19-23
African Business Show '92
A five day Conference and Exhibition focusing on starting or developing a better business link in, with and from Africa. Conference Speakers, Exhibitors and Delegates will be from governments international organisations, commerce and industry. Enquiries: - Imagemakers International Quaquaversal plc. Tel.- 071-739-8410 Fax :-071-739-8663
LONDON

OCTOBER 21-22
Marketization of the CIS
The Banking and Finance Sector
Top Ministers and Bankers from East and West discuss the development of new financial and banking structures in the five key republics of the former Soviet Union. Contact. The Adam Smith Institute, Amanda Armstrong. Tel: 071 490 3774 or Fax: 071 490 2296
LONDON

OCTOBER 23
The Business Expansion Scheme
The demise of the BES on December 31st 1993 will create a flurry of interested investors keen to maximise on one of the most attractive tax shelters today. Find out how to turn its demise to your profitable advantage. Contact: Sarah Avian, IBC Tel: 071-637 4383 Fax: 071-631 3214
LONDON

OCTOBER 29
Pensions after Maxwell
A conference examining the options for reforming pensions legislation. Speakers include Social Security Minister Anne Widdecombe, regulators and pensions experts. Contact: Iain Dale. The Waterfront Partnership Tel: 071 730 0430 Fax: 071 730 0460
LONDON

OCTOBER 30
VAT in Europe 1993
Preparing for the year of change. The new VAT rules will have important consequences for any business which trades with other EC Member States. Ensure that your business is ready for the coming changes. Contact: Evie Kinane, IBC Legal Studies and Services Limited Tel: 071-637 4383 Fax: 071-631 3214
LONDON

NOVEMBER 4
Tax Planning Techniques for Cross-Border Transactions In and Out of the UK
Leading tax experts in the country offer up-to-the minute planning ideas and techniques. Contact. Sarah Avian, IBC Tel: 071-637 4383 Fax: 071-631 3214
LONDON

NOVEMBER 13
International Leasing
The Legal, Tax and Accounting Regime in conjunction with the Finance and Leasing Association. Expert speakers present the whole picture including the international dimension on tax, insurance, finance, law and accounting. Contact: Susan Coulston, IBC, Tel 071 637 4383 Fax: 071 631 3214
LONDON

NOVEMBER 16/17
Expert Advice on Export Controls
Higher Fences Around Fewer Goods. Export Controls are at their most complex since their inception. Expert panel includes representatives from DTI, MoD, US Department of Commerce, EC Commission and Industry. Contact: Susan Coulton, IBC, Tel: +44 71 637 4383 Fax: +44 71 631 3214
LONDON

NOVEMBER 19
Directors' Liabilities
What they are and how to reduce them. Instituting effective corporate controls, off-loading liability; managing a company pension fund; avoiding the insolvency trap. Chaired by Graham Mason Director of Corporate Affairs, CBI. Contact. Susan Coulston, IBC, Tel: 637 4383 Fax. 071 631 3214
LONDON

INTERNATIONAL

SEPTEMBER 15
Success in Business Germany
A seminar/workshop programme for business people who are thinking of getting into the German market or need to know more about it. Topics: Doing Business in United Germany (Sept 15, 92) Business Opportunities in Eastern Germany (Oct 20, 92) etc. Info: M. Weigel, FAZ Information Services, Phone ++49-6196-9606-336, Fax ++49-6196-9606-49
FRANKFURT

SEPTEMBER 16-19
Metalurji/Metallurgy '92
International Metallurgical Technology and Equipment Trade Fair. Organised by FS Fair and Exhibition Services Inc. this four day exhibition will give you the opportunity to see state-of-the-art products services and technology. Please contact Ms Serra Talasli for further information Tel (901) 274 23 85/86/87 Fax (901) 273 27 24
ISTANBUL

SEPTEMBER 21-22
ARMAMENTS EXPORT CONTROLS IN EUROPE AND THE UNITED STATES
ISSC seminar
Telephone (+49) 228-6483-120
Telefax (+49) 228-6483-300
BRUSSELS

SEPTEMBER 24-25
Competitiveness and Benchmarking in a Changing World
Conference jointly organised by DRI/McGraw-Hill and the International Benchmarking Clearinghouse - covering the major economic and political forces that will affect industrial competitiveness, strategic planning, Total Quality Management and benchmarking. Contact: Corinne Redonnet, Tel: 081 545 6212, Fax. 081 545 6248
BRUSSELS

SEPTEMBER 27-29
Colombia: Capital Markets & Investment
Organised in association with the Colombian Finance Ministry, speakers from the Colombian Government, Financial & Industry sectors will examine recent developments in the financial markets & the opening up of the economy to foreign investment. Contact: Arleen Kestenbaum, Euromoney New York Tel 212-941-5880 Fax. 212-941-5807/5808
CARTAGENA, COLOMBIA

OCTOBER 8-9
Competitive Intelligence
Strategies Objectives, Organisation Techniques, Tools, Analysis. Seminar presented by Kirk Tyson, author of "Competitor Intelligence Manual & Guide" for managers and analysts with business development, planning, and research responsibilities. Also in Berlin 5-6 October, and in Bratislava 8-9 December. Contact IIR SA Geneva. Tel (41) 22 788 2751 Fax (41) 22 788 2726
BRUSSELS

OCTOBER 13-14
Trade & Investment in the Black Sea States, Turkey & Central Asia
two day conference & Business Forum exploring Russian central Asian business opportunities business forum meetings with high level delegations. Details Interforum Services. Tel. 071 386 9322 Fax. 071 381 8914
ISTANBUL

NOVEMBER 16-17
Tom Peters
Top Management Briefing with Tom Peters. Tom is about to finalise his next book, "Liberation Management", to be published in October this year. At this briefing you will hear all about Tom's most recent thoughts and insights. Contact Ms. Riencke Bijma, Euromanagement Tel +31 40 468880 Fax: +31 40 468685
AMSTERDAM

NOVEMBER 18 & 19
Spain in the New Europe: Winners & Losers
This conference, arranged in association with Expansion and Actualidad Economica, will look at economic prospects, the implications of Maastricht and economic convergence plans. Enquiries: Financial Times Tel: 071 251 9321 Fax. 071-251 4686
MADRID

WORLD STOCK MARKETS

[illegible]

INDICES

NEW YORK

DOW JONES	Aug 21	Aug 20	Aug 19	Aug 18	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3254.1	3304.89	3307.86	3329.40	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.46	102.42	102.35	102.47	102.47 (18/8)	98.41 (20/3)	102.47 (18/8/92)	54.99 (1/10/81)
Transport	1237.55	1256.52	1258.05	1267.63	1467.68 (20/2)	1237.55 (21/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.77	220.14	220.21	220.21	225.59 (9/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

Day's High 3330.29 (3326.24) Low 3243.57 (3285.71)

STANDARD AND POOR'S

	Aug 21	Aug 20	Aug 19	Aug 18	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	414.85	418.26	418.19	421.34	425.09 (3/8)	394.50 (8/4)	425.09 (3/8/92)	4.40 (1/6/32)
Industrials	486.45	491.26	491.36	494.57	499.51 (3/8)	470.91 (8/4)	499.51 (3/8/92)	3.62 (21/6/32)
Financial	35.35	35.46	35.45	36.18	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	229.61	230.38	230.41	231.90	233.66 (3/8)	217.92 (8/4)	233.66 (3/8/92)	4.46 (25/4/42)
Amex Mkt. Value	384.31	385.87	385.89	386.81	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	563.70	567.05	567.61	570.87	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Aug 14	Aug 7	Jul 31	year ago (approx.)
Dow Industrial Div. Yield	3.11	3.12	3.07	3.08

	Aug 19	Aug 12	Aug 5	year ago (approx.)
S & P Industrial div. yield	2.62	2.62	2.59	2.70
S & P Indl. P/E ratio	29.06	29.00	29.34	21.31

NEW YORK ACTIVE STOCKS

[illegible]

TRADING ACTIVITY

[illegible]

CANADA

TORONTO	Aug 21	Aug 20	Aug 19	Aug 18	1992 HIGH	1992 LOW
Metals & Minerals	2967.08	3001.90	2981.84	2990.72	3238.87 (16/1)	2828.26 (8/4)
Composite	3390.32	3403.65	3385.52	3377.80	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1783.83	1793.27	1778.93	1771.96	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Aug 21	Aug 20	Aug 19	Aug 18	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1569.3	1553.6	1561.6	1565.0	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	674.1	670.9	673.3	673.2	726.80 (3/7)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	314.55	312.85	308.68	307.37	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	751.85	745.70	732.18	727.38	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1113.42	1102.99	1098.72	1092.74	1235.40 (2/6)	1090.26 (13/8)
DENMARK						
Copenhagen SE (3/1/83)	288.48	289.97	292.85	298.09	365.29 (15/1)	288.48 (21/8)
FINLAND						
HEX General (28/12/90)	610.2	634.3	648.7	650.5	935.90 (24/2)	610.20 (21/8)
FRANCE						
CAC General (31/12/82)	477.73	478.02	476.43	477.15	555.93 (12/5)	472.49 (14/8)
CAC 40 (31/12/87)	1744.18	1724.18	1734.21	1736.72	2077.49 (11/5)	1722.36 (13/8)
GERMANY						
FAZ Aktien (31/12/58)	598.06	602.40	606.38	606.58	725.26 (26/5)	598.06 (21/8)
Commerzbank (1/12/53)	1690.20	1702.40	1713.9	1714.4	2043.80 (25/5)	1690.20 (21/8)
DAX (30/12/87)	1520.02	1513.06	1524.72	1530.22	1811.57 (25/5)	1513.06 (20/8)
HONG KONG						
Hang Seng Bank (31/7/64)	5509.39	5481.61	5620.44	5675.16	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1246.77	1250.61	1245.65	1245.46	1469.57 (17/1)	1230.25 (12/8)
ITALY						
Banca Com. Ital. (1972)	405.12	404.90	401.18	400.77	551.59 (6/2)	393.70 (14/8)
MIB General (2/1/92)	797.0	795.0	788.0	787.0	1086.00 (5/2)	773.00 (14/8)
JAPAN						
Nikkei (16/5/49)	16216.88	15267.76	14650.74	14309.41	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1251.70	1163.77	1117.12	1102.50	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1592.13	1533.81	1502.77	1515.46	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	567.66	564.21	560.01	556.24	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl Rtn Gen (End 1983)	287.6	286.1	286.3	285.9	314.90 (9/6)	[illegible]
CBS All Shr (End 1983)	196.4	195.4	195.7	195.2	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	574.91	578.24	597.97	612.09	772.74 (18/5)	574.91 (21/8)
PHILIPPINES						
Manila Comp (2/1/85)	1473.12	1490.57	1517.34	1523.68	1580.95 (11/6)	1083.01 (17/3)
THAILAND						
Bangk SET (30/4/75)	761.20	758.40	757.72	[illegible]	[illegible]	[illegible]
WORLD						
M.S. Capital Intl. (1/1/70) (§)	494.0*	495.5	491.1	[illegible]	[illegible]	[illegible]
[illegible] Top-100 (26/6/90)	824.77	819.79	822.30	[illegible]	[illegible]	[illegible]

**Saturday August 15: Taiwan Weighted Price: 3926.38, Korea Co[illegible]
§ Subject to official recalculation.
Base values of all indices are 100 except: Austria Traded, 1000, [illegible] and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 [illegible] Closed. (u) Unavailable.

TOKYO – Most Active Stocks

Friday, August 21, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Milk Prod ...	7.0m	900	+100	Canon Inc ...	5.5m	1,320	+80
Nomura Sec ...	5.9m	1,490	+140	Okamoto Inds ...	5.0m	1,050	+105
Hitachi ...	5.8m	894	+44	Indl Bk of Japan ...	4.7m	2,160	+200
Tokio M&F Ins ...	5.8m	1,180	+130	Daikyo Kanko ...	4.1m	740	+100
Toshiba Corp ...	6.6m	630	+60	Npn Steel Corp ...	4.1m	298	+28

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time at which the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American	5	249 4	249 4	265 4	0 91	41410
(Accum Units)	5	293 5	293 5	312 4	0.91	41411
British	5	744 2	760 3	804 4	6 70	41416
(Accum Units)	5	1248 0	1275 0	1349 0	6 70	41417
European	5	325 6	325 6	346 8	1 40	41418
(Accum Units)	5	353 0	353 0	375 9	1 40	41419
Japan	5	81 26	81 26	86 41	–	41420
(Accum Units)	5	81 91	81 91	87 10	–	41421
New Pacific	5	186 9	187 6	199 8	1 77	46366
(Accum Units)	5	194 2	194 9	207 6	1 77	47994
Investment Tst Aug 19	5	126.6	129 0	136 7	2 50	47568
Mixed Equity	5	116.9	118 1	125 0	2 17	47586
Mixed Equity Acc	5	126 5	127 8	135 3	2 17	40586
Mixed Cash	0	96.30	96 30	96 30	9 34	47585
(Accum Units)	0	123 1	123 1	123 1	9 34	40267
Majority Stlg	1	100 44	100 44	101 45	9 22	42703
Majority Stlg Acc	1	113 30	113 30	114 44	9 22	46689
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin 5 Rayleigh Rd Hutton Brentwood Essex						
Enquiries 0277 227300 Dealing 0277 261010						
International Aug 14	0	47 43	47 43	47 78	0 88	46406
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
Admin 5 Rayleigh Rd Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing 0277 690389						
Equity	6	571 4	578.3	618.5	3.31	41423
North America	6	74 23	75 22	80 45	0.79	41424
Far East	6	74 32	75 30	80 53	0.59	41425
W'wide Bond	6	47 91	47 91	50 97	6 10	41426
European	6	62 78	63.24	67 64	1 61	41429
Equity Income	6	63 10	63 93	68 37	5 41	41430
Portfolio	6	53 11	53 71	57 44	1 98	41431
UK Leading Cos	6	41 14	41 70	44 36	3 35	–
[illegible]						
Intnl Equity	6	40 26	40 76	43 59	3 13	–
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants 0800 525725						
American Growth	6	25 11	25 11	26 86	0.60	47795
Managed Assets	6	94 85	95 47	102.11	4 67	44067
UK Income	6	28 60	28 91	30 93	5 45	41432
UK Growth	6	29 34	29 65	31 72	3 65	41433
Worldwide Growth	6	21 38	21 38	22 87	1 34	41434
Sun Life Trust Mngmt Ltd (1200)H						
101, Cannon St, London EC4N 5AD						
Admin & Enq 071-606 4044 Dealing 071-606 6010						

	Bid Price	Offer Price	Yield Gross	City-line
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Aug 19	£3647 5	3820xd	3 86	40766
European Aug 19	£554 3	560.1	2.04	40776
American Aug 19	£324 1	326 9	1 83	40773
Japan Aug 19	£335 4	340 2	1 91	40774
Pacific Aug 19	£128 5	131 4	1.32	40775
W Midlands Jul 31	£119.30	135 90	2.69	40771
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Jul 31	189 50	193.30	8.20	40825
Equity Jul 31	824 75	836.30	4 00	40826
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Aug 20		103 56xd	10 42	40883
(Accum Units)		660 66	10 42	40884
NAACIF Aug 18		39 00xd	9 52	46917
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity I Aug 18	119 9	129 3	2 11	46925
UK Small Co I Aug 18	436 3	483.3	4 15	46926
Fixed Interest I Aug 18	111 5	117 4	8.52	46920
US Small Co Aug 18	138 5	149 1	0.00	46927
Managed Aug 18	100 0	107.5	3.73	46924
Intl Bond Aug 18	125.1	132.0	9.75	47790
Japan Aug 18	48 95	51 73	6.15	47877
European Aug 18	86 94	93 19	1.78	47876
Nth American Aug 18	103 5	111 1	1.41	47878
Morgan Stanley International				
UK Exempt	£908.27	929 15	–	–
Overseas Exempt	£914 99	942.86	–	–
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
American Exempt	48 59	50 49xd	1 54	41064
European Exempt	45 72	47 14xd	3.21	41065
Fixed Int Ex Aug 19	46.89	47 34	9 03	46594
Japan Exempt	31 43	32.41	0 89	41066
Managed Ex Aug 20	41.24	42 34	4.38	41067
SE Asia Exempt	69.71	72.81	2.23	41068
Sm Cos Exmt Aug 19	31.14	32.70	3 74	41069
UK Eqty Ex Aug 19	37 63	39 20xd	4 70	41070

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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Pearl Assurance (Unit Funds) Ltd

Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	Yield Gross	City-line
Property Dist. (Gross)	134.6	141.7	–	43235
Property Acc. (Gross)	256.5	270.0	–	43236
Equity (Gross)	809.8	852.5	–	43237
Managed (Gross)	578.0	608.4	–	43238
Property Acc. (Net)	122.7	129.1	–	43239
Equity (Net)	189.1	199.1	–	43240
Adventurous Managed	87.6	92.2	–	41201
Managed (Net)	178.6	188.0	–	43241
Cautious Managed	96.1	101.2	–	41202
International (Net)	152.2	160.2	–	43242
Gilt & Fixed Interest	142.1	149.6	–	43243
Money Fund	141.2	148.6	–	43244
Mixed Fund (Cap)	108.7	114.5	–	46650
Mixed Fund (Acc)	113.3	119.3	–	46648
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	626.0	659.0	–	43245
Ret Man (Series 2)	212.3	223.5	–	43246
Ret Cash	199.7	210.3	–	43247
Pens Mixed Fd (Cap)	119.0	125.3	–	46559
Pens Mixed Fd (Acc)	124.1	130.7	–	46558
Pens Stig Fd (Cap)	104.4	109.9	–	46561
Pens Stig Fd (Acc)	108.8	114.6	–	46560

Premium Life Assurance Co Ltd

37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	Yield Gross	City-line
American	120.0	127.0	–	43285
Building Soc. Fd	229.0	237.0	–	[illegible]
Balanced	251.0	265.0	–	[illegible]
European	199.0	210.0	–	43289
GT Managed	171.0	180.0	–	43290
Gartmore Mngd.	115.0	122.0	–	43291
German	124.0	131.0	–	43292
Gilt	168.0	177.0	–	43293
Global	35.0	37.0	–	46634
International Equity	179.0	189.0	–	43295
Japan	136.0	144.0	–	43296
Leisure	47.0	50.0	–	40526
Managed	39.0	42.0	–	43297
Property	300.0	316.0	–	43298
UK Equity	227.0	239.0	–	43300
Pension Funds				
Managed	235.0	248.0	–	43301

Provident Mutual Life Ass. Assn.—Contd.

	Bid Price	Offer Price	Yield Gross	City-line
Pension Funds				
Managed Ord	440.0	463.2	–	43498
Managed Init	[illegible]	[illegible]	–	43499
Equity Ord	670.8	706.1	–	43500
Equity Init	487.2	512.8	–	43501
Pen Ind Lkd Gilt Ord	184.5	194.2	–	43502
Pen Ind Lkd Gilt Init	139.9	147.3	–	43503
Overseas Equity Ord	271.7	286.0	–	43504
Overseas Equity Init	197.3	207.7	–	43505
Property Ord	281.0	296.6	–	43506
Property Init	204.7	215.5	–	43507
Fixed Interest Ord	293.7	309.2	–	43508
Fixed Interest Init	213.3	224.5	–	43509
Deposit Ord	272.3	286.6	–	43510
Deposit Init	197.8	208.2	–	43511

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	Yield Gross	City-line
Prudend				
Managed Aug 19	241.7	251.8	–	43512

Prudential Corporate Pension Funds

1 Stephen St, London W1P 2AP 071-548 3281

	Bid Price	Offer Price	Yield Gross	City-line
Prudential Managed Funds				
Discretionary Aug 12	£173.67	179.18	–	43539
Equity Aug 12	£198.25	205.03	–	43540
International Aug 12	£24.29	24.93	–	43541
Intl Bond Aug 12	£14.26	14.44	–	43542
Fixed Int Aug 12	£106.15	107.36	–	43543
Index Linked Aug 12	£75.48	76.44	–	43544
Property Aug 12	£110.24	116.28	–	43545
Cash Aug 12	£31.2106	31.2106	–	43546
Pru-Linked Retirement Plan				
Managed Aug 11	417.6	439.0	–	43547
Cash Aug 11	266.4	278.4	–	43548
Prudential Pensions Investment Account				
Pens Mngd Aug 24	167.9	180.5	–	43549
Pens UK Eq Aug 24	293.9	316.0	–	43550
Pens Intl Aug 24	179.2	192.2	–	43551
Pens Global Eqty Aug 24	92.4	97.3	–	40528
Pens Fixed Aug 24	241.3	254.0	–	43552
Pens Index Lk Aug 24	191.8	202.6	–	43553
Pens Property Aug 24	90.0	94.8	–	40631
Pens Cash Aug 24	186.9	197.0	–	43554

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Gartmore Fund Managers (IoM)						
PO Box 32, Douglas, IoM 0624 627610						
Intl Grth	5½	450 6	450 6	483 21	0 9	45096
Leopold Joseph Fund Mngrs (IoM) Ltd						
PO Box 52 Athol St Douglas IoM 0624 661020						
LJ International	5½	84 83	84 83	91 17		44804
Mercury Fund Managers IoM Ltd						
11 Hill Street, Douglas IoM 0624 662255						
Merc IoM Fund	5	97 03	97 03	103 5	6 4	45970
Merc Intl Bond	5	50 92	50 92	53 94	8 2	45971
Sun Life Management (IoM) Ltd						
PO Box 178 Douglas IoM 0624 622444						
Secure High Income	6	1 1065	1 0405	1 1155	10 07	40466
Unibank Scandinavian Fund Ltd						
19-21, Circular Rd, Douglas, IoM 0624 629420						
Scandinavia Fd	5	–	122.30	130 33	1.0	45223

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	Yield Gross	City-line
ATC Fund Management (IOM) Ltd				
SG International		510 71	–	45089
Appleton Financial Advisors Ltd				
Appleton Capital Trust	95 0	101 0	–	–
CMI Fund Mngrs (IOM)				
Traders Fund Ltd H	516 87	18 24	–	46364
*Dealings Wednesday				
City Financial Admin (IoM) Ltd				
Bahamas Opera & Elec Ltd	0 58	0.66	0 00	47332
Bahamas Opera & Elec Ltd $	$1 12	1 28	0 00	47333
Bahamas Reserve Assets	103	103	2 62	47336
Duncan Lawrie Inv. Mgt. Ltd				
DL Sterling	112 6	118 3	5 4	44882
DL International	$1 43	1 51	2 3	44882
Equity & Law International Fund Mgs Ltd				
European Equity	142 99	150 49	–	44904
Far Eastern Equity	$2 0225	2 1286	–	44905
North Amer Equity	$1 6830	1 7713	–	44906
UK Equity	150 23	158 11	–	44907
Global Equity	101 16	106 47	–	44908
UK Gilt & Fxd Int	99 83	105 07	–	44909

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

حفزاعن الأصل

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES AND MONEY MARKETS

A dazzling D-Mark

The question now facing the world's central banks is how the dollar's fall can can be stabilised, *writes James Blitz.*

Recent interventions show that the US authorities do not want to see the dollar fall uncontrollably, if at all. There is a negative impact on equity markets: the Dow Jones Index fell by over 50 points on Friday. The dollar's fall also increases strains in the European Exchange Rate Mechanism as traders sell dollars for D-Marks, pushing up the German currency's value.

UK clearing bank base lending rate 10 per cent from May 5, 1992

Many dealers believe that the Fed is planning more rounds of intervention, in the hope of turning the market once-and-for-all. With the dollar testing DM1.42, it must be easier to convince the market into thinking that there are profits to be made.

But can intervention work? The fundamental problem weighing the currency down is that the US, Germany and Japan are pursuing domestically-oriented policies which put less emphasis than usual on exchange rates.

That dysfunction has widened the differential between US and German short-term rates so far that the markets are dazzled by the D-Mark's investment potential. It has undermined the credibility of concerted intervention, too. By buying dollars, the Bundesbank puts D-Marks into circulation and founders its attempt to control the M3 monetary supply target.

Arguably, the only factors which will underpin the dollar are an improved outlook for the US economy, which will push US rates up, or a cut in German interest rates. Analysts see no sign of the former, but Germany's slide into recession may bring a rate cut by the end of this year. Until then, central banks may pay heavily in reserves to stabilise the currency system.

£ IN NEW YORK

Aug 21	Close	Previous Close
£ Spot	1.9545-1.9555	1.9390-1.9400
1 month	1.12-1.10pm	1.09-1.07pm
3 months	3.34-3.31pm	3.26-3.23pm
12 months	12.32-12.22pm	12.0-11.9pm

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

Aug 21	Bank of England Index	Morgan Guaranty Changes %
Sterling	91.7	-20.2
U.S. Dollar	59.9	-19.0
Canadian Dollar	98.1	-3.2
Austrian Schilling	111.6	+43.2
Belgian Franc	113.5	[illegible]
Danish Krone	111.7	+5.4
D-Mark	122.0	+27.6
Swiss Franc	111.4	+18.8

STERLING INDEX

OTHER CURRENCIES

CHICAGO

POUND SPOT - FORWARD AGAINST THE POUND

Aug 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9275 - 1.9490	1.9470 - 1.9480	1.10-1.08cpm	6.72	3.28-3.25pm	6.71
Canada	2.3010 - 2.3235	2.3210 - 2.3220	0.97-0.93cpm	4.91	3.05-2.90pm	5.13
Netherlands	3.1500 - 3.1825	3.1500 - 3.1600	par-1/4cdis	-0.24	1/4-parpm	0.16
Belgium	57.60 - 58.15	57.60 - 57.70	2-3cdis	-0.52	8-3cpm	0.38
Denmark	10.8250 - 10.9125	10.8825 - 10.8925	1 1/4-1 3/4oredis	-1.58	3 1/4-4 1/4dis	-1.38
Ireland	1.0570 - 1.0680	1.0660 - 1.0670	0.08-0.05pcm	0.73	0.15-0.10pm	0.47
Germany	2.7950 - 2.8150	2.7950 - 2.8000	par-1/4pfdis	-0.27	1/4-1/4pm	0.27
Portugal	245.40 - 247.50	246.25 - 246.75	44-65cdis	-17.01	165-210dis	-3.04
Spain	180.50 - 181.90	181.05 - 181.35	48-54cdis	-3.38	140-155dis	-3.26
Italy	2129.50 - 2140.00	2132.00 - 2133.00	9-11liredis	-5.63	26-28dis	-5.06
Norway	11.0675 - 11.1575	11.1250 - 11.1350	1 1/4-1 3/4oredis	-1.62	2 1/2-3 1/4dis	-1.01
France	9.5000 - 9.5500	9.5000 - 9.5100	1/4-1/2cdis	-0.32	1/2-3/4dis	-0.29
Sweden	10.2050 - 10.3025	10.2050 - 10.2150	2 3/4-3oredis	-3.38	7 1/2-7 3/4dis	-2.89
Japan	243.75 - 246.25	245.00 - 246.00	1 1/4-1 1/4ypm	5.80	3 3/4-3 1/4pm	6.21
Austria	19.71 - 19.88	19.78 - 19.81	1-1/4gropm	0.38	3 1/4-1pm	0.43
Switzerland	2.4700 - 2.5150	2.4825 - 2.4925	1/2-1/4cpm	2.11	1 1/4-1 1/4pm	1.91
Ecu	1.3785 - 1.3845	1.3800 - 1.3810	0.10-0.15cdis	-1.09	0.30-0.37dis	-0.97

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.44-6.39pm 12 Month 12.08-11.90pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Aug 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9275 - 1.9490	1.9470 - 1.9480	1.10-1.08cpm	6.72	3.28-3.25pm	6.71
Ireland†	1.8240 - [illegible]	1.8390 - 1.8400	1.15-1.12cpm	7.40	3.34-3.27pm	7.19
Canada	1.1915 - 1.1940	1.1920 - 1.1930	[illegible]	-1.71	0.45-0.48dis	-1.56
Netherlands	[illegible] - 1.6430	1.6195 - 1.6205	0.90-0.93cdis	-6.78	[illegible]	-6.68
Belgium	29.50 - 30.00	29.55 - 29.65	[illegible]	[illegible]	[illegible]	-6.49
Denmark	5.5400 - 5.6125	5.5475 - 5.5525	3.75-4.05oredis	-8.43	[illegible]	-8.29
[illegible]	1.4365 - 1.4600	[illegible] - 1.4375	0.81-0.82pfdis	-6.81	2.40-2.42dis	-6.71
Portugal	126.60 - 127.30	126.60 - 126.70	95-105cdis	-9.47	305-325dis	-9.95
Spain	92.80 - 93.90	92.80 - 92.90	78-81cdis	-10.27	234-239dis	-10.19
Italy	1094.50 - 1108.50	1094.75 - [illegible]	[illegible]	-12.60	32.50-34.00dis	-12.15
Norway	5.7125 - 5.7575	5.7125 - 5.7175	3.90-4.20oredis	[illegible]	11.00-11.50dis	-7.87
France	4.8750 - 4.9550	4.8775 - 4.8825	2.88-2.92cdis	-7.13	[illegible]	-7.09
Sweden	5.2350 - 5.3225	5.2400 - 5.2450	4.33-4.58oredis	-10.20	12.70-13.15dis	-9.86
Japan	125.90 - 126.55	125.95 - 126.05	0.06-0.07ydis	[illegible]	0.13-0.14dis	-0.43
Austria	[illegible] - 10.2550	[illegible] - 10.2225	5.45-5.80grodis	[illegible]	16.00-17.00dis	-6.46
Switzerland	1.2760 - 1.2950	1.2765 - 1.2775	0.51-0.52cdis	-4.84	1.54-1.57dis	-4.87
Ecu	1.3975 - 1.4070	1.4060 - 1.4070	0.91-0.89cpm	7.68	2.65-2.61pm	7.48

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

CURRENCY RATES

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY AUGUST 21 1992								THURSDAY AUGUST 20 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	% chg ($) since 31/12/91	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/91	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	132.10	-12.4	100.57	105.21	98.69	122.22	-7.4	4.48	132.02	100.95	105.38	98.42	121.66	163.68	131.86	146.68
Austria (19)	151.51	-9.0	115.34	120.68	113.19	114.34	-12.9	2.55	150.26	114.89	119.91	113.16	113.37	188.70	139.27	173.84
Belgium (42)	146.67	+1.6	111.66	116.81	109.57	107.06	-3.8	5.75	144.86	110.76	115.59	109.09	106.63	152.27	135.87	126.47
Canada (114)	126.22	-7.4	96.09	100.53	94.29	106.99	-4.5	5.19	128.74	96.91	101.14	95.44	109.44	142.12	124.32	140.30
Denmark (35)	226.99	-15.0	172.80	180.78	169.58	171.34	-20.2	1.78	225.91	172.74	180.29	170.13	171.76	273.94	225.91	252.86
Finland (15)	*63.01*	-19.2	*47.97*	*50.19*	*47.08*	*52.92*	-21.8	2.87	*65.96*	*50.43*	*52.64*	*49.67*	*55.21*	*89.80*	*63.01*	*85.40*
France (103)	159.00	+5.7	121.08	126.63	118.78	121.72	-0.5	3.69	156.39	119.56	124.80	117.76	120.64	168.75	148.06	133.43
Germany (64)	115.19	-1.8	87.69	91.76	86.06	86.06	-7.0	2.86	115.07	87.98	91.84	86.65	86.65	129.69	114.67	106.74
Hong Kong (53)	228.05	+29.3	173.61	181.63	170.38	226.42	+28.5	5.59	226.55	173.22	180.79	170.61	224.92	259.55	176.36	167.29
Ireland (16)	158.83	-5.3	120.92	126.51	118.66	121.07	-10.1	4.34	159.08	121.63	126.95	119.79	122.35	173.71	151.78	153.69
Italy (78)	64.87	-14.0	49.38	51.66	48.46	53.05	-18.0	3.91	64.25	49.12	51.27	48.38	52.85	80.86	61.30	70.77
Japan (473)	99.86	-26.5	76.02	79.53	74.61	79.53	-25.9	1.07	92.47	70.71	73.80	69.65	73.80	140.85	87.27	123.91
Malaysia (69)	228.20	+6.5	173.73	181.75	170.49	219.42	-2.2	2.87	226.35	173.07	180.63	170.45	217.78	250.47	212.49	202.59
Mexico (18)	1311.86	-5.7	998.71	1044.87	980.10	4418.50	-4.5	1.36	1342.05	1026.16	1071.02	1010.66	4520.85	1769.77	1303.41	1135.26
Netherland (25)	166.06	+8.8	126.42	132.26	124.07	122.78	+3.1	4.56	163.92	125.33	130.81	123.44	122.10	167.29	147.88	137.01
New Zealand (14)	42.52	-9.5	32.37	33.87	31.77	41.94	-9.2	5.41	43.13	32.98	34.42	32.48	42.41	48.62	42.01	46.56
Norway (23)	145.17	-18.8	110.52	115.63	108.46	112.61	-22.2	2.24	145.32	111.11	115.97	109.44	112.87	192.95	145.17	199.67
Singapore (38)	185.96	-15.4	141.56	148.11	138.92	137.84	-16.0	2.40	182.52	139.56	145.66	137.45	135.38	229.63	180.71	187.82
South Africa (61)	193.92	-22.1	147.63	154.45	144.87	157.13	-9.2	3.24	191.46	146.39	152.79	144.18	156.01	263.60	186.87	236.90
Spain (49)	138.41	-11.5	105.37	110.24	103.41	97.36	-15.0	6.03	136.84	104.63	109.20	103.05	96.61	161.72	133.79	148.29
Sweden (30)	179.11	-1.1	136.35	142.66	133.82	139.01	-6.5	2.96	179.47	137.22	143.22	135.15	140.21	200.28	173.09	186.36
Switzerland (62)	112.60	+12.2	85.72	89.69	84.13	89.14	+5.7	2.41	110.59	84.56	88.26	83.30	88.48	113.88	95.99	91.08
United Kingdom (228)	182.21	-1.7	138.72	145.11	136.12	135.72	-5.5	5.27	181.07	138.45	144.49	136.34	138.45	200.07	165.85	176.79
USA (522)	169.01	-0.5	*128.66*	134.62	126.27	*169.01*	-0.5	2.98	*170.42*	130.30	136.01	128.34	170.42	*173.10*	160.92	159.97
Europe (789)	146.73	-0.7	111.70	116.87	109.63	111.14	-5.4	4.28	145.49	111.25	116.11	109.57	110.86	156.88	139.31	137.57
Nordic (103)	165.11	-10.2	125.69	131.50	123.35	122.26	-15.0	2.50	165.17	126.29	131.81	124.38	123.07	188.52	165.11	184.81
Pacific Basin (715)	105.01	-23.4	79.94	83.64	78.45	85.02	-22.8	1.45	98.23	75.11	78.39	73.97	79.85	141.97	93.70	125.64
Euro-Pacific (1504)	121.88	-14.0	92.79	97.07	91.05	95.76	-15.7	2.82	117.34	89.72	93.64	88.36	92.56	145.21	113.80	130.69
North America (636)	166.33	-0.8	126.62	132.49	124.28	164.92	-0.7	2.99	167.66	128.21	133.85	126.30	166.26	170.31	158.70	158.68
Europe Ex. UK (561)	125.23	+0.1	95.34	99.76	93.58	95.30	-5.3	3.57	123.98	94.80	98.97	93.39	95.05	132.98	121.81	114.47
Pacific Ex. Japan (242)	155.66	+3.7	118.50	124.00	116.30	140.70	+4.5	3.84	154.93	118.46	123.68	116.69	139.83	176.31	149.00	142.79
World Ex. US (1697)	123.52	-13.9	94.03	98.39	92.28	97.94	-15.1	2.83	119.21	91.15	95.14	89.78	94.67	146.91	116.18	132.72
World Ex. UK (1991)	133.73	-9.6	101.80	106.52	99.92	117.76	-9.9	2.59	131.26	100.36	104.76	98.86	115.80	160.68	127.21	137.50
World Ex. So. Af. (2158)	137.60	-8.6	104.75	109.60	102.81	119.32	-9.5	2.89	135.24	103.41	107.94	101.85	117.52	153.05	130.04	140.29
World Ex. Japan (1746)	159.27	-1.0	121.25	126.86	119.01	142.80	-2.4	3.48	159.49	121.95	127.29	120.12	143.31	165.40	153.20	151.27
The World Index (2219)	137.92	-8.8	104.99	109.85	103.04	119.69	-9.5	2.89	135.56	103.65	108.19	102.09	117.89	153.70	130.66	140.92

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).
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Constituent change during the week ending 21/8/92: Deletion: Total (Certificates) (France).

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

FINANCIAL TIMES STOCK INDICES

	Aug 21	Aug 20	Aug 19	Aug 18	Aug 17	Aug 14	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs.	88.43	88.59	88.54	88.62	88.60	88.47	89.75	85.11	127.4	49.18
Fixed Interest	105.15	105.26	105.10	105.23	105.15	104.74	106.35	97.15	106.35	50.53
Ordinary	1755.4	1757.5	1765.6	1752.8	1766.2	1753.8	2149.7	1715.3	2149.7	49.4
Gold Mines	82.5	82.4	82.1	81.1	81.6	80.2	160.6	80.2	734.7	43.5
FT Act All-Share	1123.24	1120.57	1122.96	1119.35	1128.41	1119.79	1326.36	807.46	1326.36	61.92
FT-SE 100	2365.7	2359.4	2363.5	2354.7	2376.1	2356.8	2737.8	2303.1	2737.8	986.9
FT-SE Eurotrack 100	1039.54	1030.83	1033.91	1035.74	1045.00	1042.13	1199.58	1030.83	1199.58	900.45
FT-SE Eurotrack 200	1077.66	1071.32	1072.96	1072.69	1081.08	1074.40	1248.79	1065.09	1248.79	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

OTHER FIXED INTEREST

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. Compounded Annual Rate. Int Cr: Frequency at which interest is credited to the account.

BASE LENDING RATES

AMERICANS

	Notes	Price £	Wk% change	Div gross	Dividends paid	Last xd	City line
Abbott Labs	h	15¼ xd	0.8	60c	FeMyAuNv	10.7	1503
Alleghony & W		318p	1.6	30c	—	—	—
Amdahl		877p	-1.5	10c	NvMrJeAu	31.1	—
Amer Cyanamid		30¾	-2.8	$1.68	MrJeSeDe	4.3	—
Amer Express		11⅞ xd	-1.7	$1.00	FeMyAuNv	28.6	1594
Amer T & T		22¾ xd	-8	$1.32	FeMyAuNv	27.3	1597
Ameritech		38	—	$3.52	FeMyAuNv	28.3	—
BankAmerica		22½ xd	-3.9	$1.30	FeJeSeDe	19.8	1744
Bankers NY		31⅞ xd	-1.2	$2.64	ApJyOcJa	27.12	1745
Bell Atlantic		25⅛	1.5	$2.60	FeMyAuNv	4.7	—
BellSouth		28⅝	2.7	$2.76	FeMyAuNv	8.4	—
Bethlehem Steel		6¼ xd	—	—	MrJeSeDe	8.2	1821
Bowater		1000p xd	-1.8	$1.20	OcJaApJy	8.3	1884
CPC	h	25¼ xd	1.0	$1.28	JaApJyOc	26.6	2263
Cadiz Land Inc.		128p	-17.9	—	—	—	—
Campbell Soup		19⅞ xd	2.3	78c	OcJaApAu	2.7	2050
Chase Manhattan		12⅝ xd	-1.5	$1.20	FeMyAuNv	24.7	2109
Chrysler		18⅝ xd	-8	60c	ApJyOcDe	17.6	2135
Citicorp		8⅞ xd	-7.2	—	—	23.10	2141
Colgate-Palm		28⅝ xd	3.6	$1.24	FeMyAuNv	22.7	2184
Com'l Bank		877p	-4.0	68c	OcMrJeSe	31.5	—
Dana		19½ xd	-4.9	$1.60	MrJeSeDe	20.6	2306
Data General		400p	-1.0	—	—	—	—
Dun & Brad		28¾	-2.1	$2.28	MrJeSeDe	13.2	—
Eaton		40½	0.3	$2.20	FeMyAuNv	2.2	2410
Echlin		9¼ xd	-2.0	70c	JaApJyOc	30.6	3045
FPL		19⅝ xd	0.6	$2.44	MrJeSeDe	25.6	—
Fluor		21⅛	5.2	40c	JaApJyOc	18.6	2609
Ford Motor		21⅛ xd	1.2	$1.60	MrJeSeDe	28.7	2615
Gen Elect		39⅞ xd	1.1	$2.36	JaApJyOc	3.6	2675
General Host		465p	-4.7	14c	—	13.12	—
Gillette		28⅝ xd	2.7	72c	MrJeSeDe	29.7	3685
Hasbro		15⅞	-8	28c	JaApJyNv	1.8	—
Honeywell		32⅝ xd	2.0	$1.66	MrJeSeDe	26.5	2919
Houston Inds		33	—	$3.00	MrJeSeDe	10.11	—
IBM		44⅝ xd	-2.7	$4.84	MrJeSeDe	7.8	2985
Ingersoll-Rand		15½ xd	1.8	70c	MrJeSeDe	17.8	2979
Lockheed		24¼	1.0	$2.12	MrJeSeDe	15.2	—
Lowe's	h	874p	-20.7	20c	JaApJyOc	11.7	—
Merrill Lynch		28xd	0.7	$1.20	FeMyAuNv	30.4	3351
Morgan (JP)		31	—	$2.16	JaApJyOc	17.6	3418
[illegible]							

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov	Dividend paid	Last xd	City line
Spring Ram		118	-5.6	0.28	24.7	Dec Jun	27.4	[illegible]
Starmin		7½	7.1	[illegible]	2.7	Jul Nov	11.5	[illegible]
Tarmac		71	[illegible]	[illegible]	0.4	Jul Dec	27.4	[illegible]
Titon	r	148	—	3.25	3.4	Jul Feb	11.5	4801
Travis Perkins		[illegible]	1.5	[illegible]	0.7	Nov Jul	11.5	[illegible]
Tudor		[illegible]	—	[illegible]	0.6	Jul Dec	15.4	4325
Ungroup		12½	-3.8	—	—	—	0.86	[illegible]
Ward Group		[illegible]	—	7.2	2.3	Jan May	14.10	4427
Waterhouse		[illegible]	—	—	—	Apr	9.7	1897
Wickes		[illegible]	5.4	—	—	—	[illegible]	[illegible]
Wilshaw		14½	1.8	[illegible]	2.2	Oct Mar	13.7	4815
Wolseley		[illegible]	-1.8	12.1	1.8	Jul Jan	29.6	[illegible]

BUSINESS SERVICES

	Notes	Price	Wk% ch'nge	Div net	Div cov	Dividend paid	Last xd	City line
ADT $		[illegible]	-5	—	—	—	—	2851
Adam & Harvey		[illegible]	—	11.0	5.6	Jan Sep	13.7	1049
Air London		61	—	3.2	2.9	Dec Jun	27.4	1423
African Lakes		[illegible]	-14.6	2.0	2.5	Jun	11.5	[illegible]
Auto'ted Sec	r	118	-9	4.9	2.2	Jun Dec	27.4	1788
BET		112	-1.8	[illegible]	1.1	Jan Aug	29.6	[illegible]
BNB Res		[illegible]	-1.5	4.0	1.7	Nov May	27.4	[illegible]
BPP		[illegible]	0.8	[illegible]	2.5	Nov May	23.3	[illegible]
Barbour Index		220	—	7.25	2.1	Oct Apr	15.6	1760
Boursead		22	-26.7	0.7	0.8	Jan Jul	11.5	[illegible]
Brit Data Mangt	R	[illegible]	0.8	4.0	2.7	—	—	[illegible]
Broadcastle		11	10.0	—	—	—	24.9	1494
Brooks Service		[illegible]	-1.2	4.05	[illegible]	Nov May	6.4	[illegible]
Burns-Anderson		[illegible]	—	—	—	—	12.89	[illegible]
CRT		[illegible]	-6.3	2.4	♦	Oct Mar	27.7	4041
Capita		[illegible]	5.8	[illegible]	2.9	Oct May	10.8	[illegible]
Caskel		28½	-1.9	0.5	3.3	Oct Mar	9.12	2277
Chiltern Capital		[illegible]	-6.7	—	—	—	—	2500
Christie Group		[illegible]	—	—	—	—	8.90	6146
Comac		[illegible]	-3.8	—	—	—	4.88	2104
Corp Servs		12	-14.3	—	—	—	—	[illegible]
Dal		[illegible]	—	[illegible]	2.8	Aug Jan	13.7	1378
Davis Service		187	-1.3	7.98	1.5	Jan Oct	27.4	2318
EW Fact		161	—	4.31	2.0	Nov May	6.4	1408
[illegible]								

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but *including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.*

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend, cover based on earnings updated by latest interim statement.
- ◆ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend, cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. z Dividend includes a special payment. Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other official estimates for 1990-91. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1991. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1991-92. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions: Anglian Group (Section. Building Materials); Bristol Scotts (Hotels & Leisure) and MFI (Stores)

Deletions. International Resort Hldgs. (Hotels & Leisure), Penny & Giles Intl. (Other Indl Materials), Type Tees TV (Media) and Danbury (Property).

4:00 pm prices August 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	11⅞	AAR Corp	0.48	3.8	19	160	12¾	12½	12½	-⅛
28	16	A L Labs A	0.18	0.9	74	62	20⅞	20⅛	20⅛	+⅛
69¾	52¾	AMP Inc	1.82	2.8	21	1696	64	53½	63½	
80¼	56	AMR				205547	57⅝	56⅛	56⅛	-⅞
2⅜	1⅛	ARX			2	67	1⅛	1⅛	1⅛	
53½	35⅝	ASA x	2.00	5.5	24	496	36⅛	d35⅜	36⅛	+½
34¼	26⅛	Abbott Lab	0.60	2.0	21	8030	31	29⅛	30⅛	-⅞
13⅞	12	Abitibi Pr	0.50	4.0	6	7	12⅛	12⅛	12⅛	
11⅞	10⅛	ACM Gvt In	1.08	9.7		467	11¼	11⅛	11⅛	-⅛
10⅞	9⅛	ACM GvOpp x	0.92	9.4		157	9⅞	9⅞	9⅞	
9½	8½	ACM Gvt Sp	0.82	8.7		659	9⅞	9⅛	9⅞	+⅛
11⅛	10⅛	ACM Gvt Se	1.08	9.8		337	11⅛	11	11	-⅛
10¼	8⅝	ACM Man x	0.98	9.7		433	u10⅛	10⅛	10⅛	-⅛
12⅞	10½	ACM Mangd x	0.98	9.2		206	10⅞	d10½	10⅞	
11⅞	4⅞	Acme Cleve	0.40	5.8	13	23	6⅞	6⅞	6⅞	-⅛
6¼	4⅞	Acme Elect			37	12	5	4⅞	4⅞	-⅛
33¼	17⅞	Acuson			11	604	17⅞	17¼	17¼	-⅛
19½	16⅛	Adams Exp x	0.46	2.6	0	46	18	18⅞	18⅞	
49⅛	29½	Ad Micro	3.00	8.3		97	36	35½	36	
21½	7½	Ad Micro P	3.00	34.8		32382	8⅞	8½	8⅞	-⅛
9⅞	5	Advest Grp	0.16	3.1	73	305	5⅛	d5	5⅛	-⅛
37⅞	33	Aegon ADR	1.66	4.8	7	183	37⅞	37	37⅞	+⅛
47	36⅞	Aetna Lf	2.76	6.9	10	1817	41⅛	39⅞	40	-⅛
12⅞	8⅞	Affil A x	0.24	2.1	13	616	11⅞	11	11½	-⅛
34	24	Aflac x	0.44	1.4	15	152	32⅞	32⅛	32⅛	-⅛
19⅞	15⅛	Ahmanson	0.88	5.5	7	1368	16⅛	15⅞	16	+⅛
22½	5⅝	Aileen Inc			6	217	6⅞	6½	6⅞	
49½	36½	Air Pr Chm	0.86	2.0	18	1360	43	42½	42⅞	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

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NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
68⅞	52¼	Schlberger	1.20	1.8	19	6801	68	67⅛	67⅛	+⅜
37¼	20⅝	Schwab(C)	0.24	1.0	11	1314	23	22⅜	23	+⅜
10⅛	6⅛	Schwitzer	–		63	z100	7	7	7	
27¼	16¼	SciAtlAtn	0.16	0.6	39	1854	u27⅞	27	27⅜	+½
10⅝	7⅛	Scotman	0.10	1.1	110	119	9	8⅞	8⅞	–⅛
48	34½	ScotPaper x	0.80	2.2	18	1534	37⅛	36⅛	36⅜	–¼
17½	13⅝	ScudderNAsF	0.22	1.4		141	16⅞	15¾	15⅞	+⅛
9½	8⅛	ScudderNEuF	0.30	3.5		79	8¾	8½	8⅝	
24	16	Sea Contrs	0.20	1.1	11	31	18⅞	18½	18½	–⅜
15⅝	14⅞	SeaC1.4625	1.46	9.5		2	15⅞	15⅞	15⅞	
31	26⅞	Seagram Co	0.14	0.5	15	4631	29⅞	28⅞	29⅛	+⅛
29⅞	21⅝	Seagull En			95	372	28⅛	27⅞	27⅞	
56⅞	43¼	Sealed Air			23	204	47⅛	46⅞	47¼	+½
23	12⅛	SPX Corp x	0.40	2.1	26	153	19½	19¼	19⅜	+⅜
48	37	Sears Roeb	2.00	4.8	11	7339	42½	41½	41½	–½
13⅛	11⅞	Seligm Sel x	0.84	6.5		60	13	12⅞	13	+⅛
31⅛	22¼	Sensormat	0.30	1.2	22	1102	25⅛	24⅞	24⅞	+⅛
51	36¼	Sequa A	0.60	1.6	37	18	38⅞	38¼	38¼	–½
58	46½	Sequa B	0.60	1.0	25	z100	48	48	47⅝	–⅜
18¼	15¼	ServiceCpI	0.40	2.3	15	1140	17¼	17	17¼	+⅛
29¼	22	Servicemkr	1.18	4.2	16	191	28⅞	28	28	–¼
28⅞	17	Shaw Ind	0.30	1.2	27	778	25⅞	24⅝	25⅛	–⅜
19¼	9⅞	Shawmut Nt	1.00	6.9	26	4119	16⅛	14⅛	14½	–⅛
10⅛	6⅞	Shelby Wil	0.24	2.9	38	2	8⅜	8⅜	8⅜	
67⅞	45⅝	Shell Tr&T	2.57	4.7	12	2128	55	54½	54⅞	+⅛
30⅞	25⅝	Sherwin W x	0.44	1.6	17	600	29¼	28¼	28½	–⅛
27¼	18⅝	Shoneys			19	549	21	20½	20¾	
14⅞	8¼	Showboat	0.10	0.8	11	71	12	11⅞	12	
24⅜	17⅞	Sierra Pac	1.12	5.8	11	139	19⅜	19¼	19⅜	+⅛
24⅜	14¾	SignalApp			3	102	15½	15	15	
41⅛	21¼	Signet Bnk	0.80	2.2	96	686	36⅛	36⅛	36⅛	
[illegible]										

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]										
33¼	24⅞	Xtra 1.94 x	1.94	6.1		163	32⅞	31⅞	31⅞	–1
45⅞	28½	Xtra Corp x	0.80	1.8	15	226	45	43¾	44⅛	–1⅛
29½	25¼	Yankee Egy	1.68	5.7	13	25	29¼	29⅛	29⅛	–⅛
1½	½	Zapata			23	296	1	1	1	–1/16
11⅛	6⅞	ZenithElec			4	507	6¾	d6⅛	6⅝	–⅛
19⅛	14½	Zenith Nat	1.00	5.7	8	174	17⅞	17½	17½	–½
7½	6	Zenix Inc x	0.82	11.5		167	7⅛	7⅛	7⅛	–⅛
13¾	10	Zero Corp	0.40	3.3	18	146	12⅞	12⅛	12¼	
33	27¼	Zurn Ind	0.88	2.8	34	111	31¾	31½	31⅝	
14⅜	12	Zweig Fund	1.12	8.6		98	13⅛	13	13	
11	9½	Zweig Tot x	0.96	9.3		1345	10½	10⅛	10⅜	–⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices August 21

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Audiovx A		2	87	3⅛	3⅛	3⅛	–⅛
B&H Ocean	0.65	1	23	3⅛	d3	3⅛	
Baldwin? A	0.04	28	7	4	3⅞	3⅞	
Barry RG		40	360	7	6⅞	6⅞	–⅛
BAT Ind x	0.48	27	219	14⅛	14⅛	14⅛	–⅛
Beard Oil		0	100	⅞	13/16	⅞	+1/16
Bergen Br	0.40	13	1905	19⅛	18¾	18⅞	+⅛
Blske Man	1.00	67	19	24⅛	24⅛	24⅛	
Bio-Rad A		10	14	19⅞	19⅝	19⅝	–⅛
Blount A	0.45	114	5	9	9	9⅛	
Bolar Ph		7	309	9⅞	9⅝	9⅝	–⅛
Bow Valley		3	8	9⅛	9⅛	9⅛	+⅛
Bowmar		9	20	1⅝	1⅝	1⅝	
Bowne	0.25	11	70	16½	16⅛	16⅛	–½
Brascan A	0.88	26	20	15⅛	15	15⅛	+⅛
BSN Corp	0.18	10	43	6⅛	6	6⅛	–⅛
Cal Engy		13	29	11⅞	11¾	11¾	
Calprop		0	74	1	1	1	–⅛
Can Marc	0.23	9	z100	13⅞	13⅞	13⅞	
Cmbrx A		8	4190	7⅞	7⅞	7⅞	
Chambers		10	48	8⅛	7¾	7¾	–⅛
Champion		35	15	3⅝	3½	3½	–⅛
Chiles		0	26	1	1	1	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Eastn Co	0.46	8	5	10½	10½	10½	
Eastgroup	1.64	6	4	13	13	13	
Echo Bay	0.07	153	1861	6⅛	6	6⅛	+⅛
Ecol En A	0.22	11	17	14⅛	14	14	–⅛
Edisto		0	276	⅜	⅜	⅜	
Engy Serv		3	651	1⅛	1⅛	1⅛	–⅛
Fab Inds	0.60	9	138	27⅛	27	27	–⅛
Fina Inc A	3.20	37	22	69¾	69¼	71¼	
FstCtyBnc	0.15	11	14	8	7⅞	8	
Fluke (J)	0.48	29	21	27⅛	27	27⅛	+⅛
Forest La		31	1207	38	37½	37⅞	+⅜
Frequency		58	5	4½	4½	4½	
Fr oil.com		19	2408	39⅛	38	38½	–⅛
Giant FdA	0.68	16	1113	20⅝	20	20⅛	+⅛
Glatfltr	1.40	16	29	23½	23¼	23½	
Goldfield		2	3	⅜	⅜	⅜	
Greenman		6	69	5⅛	5⅛	5⅛	
Gulf Cda	0.34	5	4	4⅛	4⅛	4⅛	
Hasbro	0.20	18	2175	31⅛	30⅞	31	
Health Ch		6	z100	1⅞	1⅞	1½	
Healthwst		5	58	2	1⅞	1⅞	
Heico Cp	0.15	17	165	13	12¾	13	
Hillhaven		2	833	2½	2¼	2¼	–⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Laberge		23	48	1⅞	1⅞	1⅞	
Laser Ind		35	30	3½	3½	3½	–⅛
Lee Pharm		3	45	1⅛	1	1	–⅛
Lionel Cp		0	179	⅜	⅜	⅜	+1/16
Lumex Inc		12	36	10¾	10⅝	10¾	+⅛
Lynch Cp		15	2	19½	19½	19⅞	+⅛
MagmaCpB		7	z0	0	d0	0⅛	
Master'lSc		12	31	14½	14⅛	14⅛	
Maxxam		14	126	28	26¾	26⅞	–⅛
Media A x	0.44	7	197	19	18½	18½	–⅛
Mem Co		93	5	5⅛	5⅛	5⅛	
Mtchl Ea	0.40	17	z0	16⅛	15⅞	16⅛	
Moog A		20	4	5⅛	5⅛	5⅛	–⅛
MSR Expl		2	60	⅝	⅝	⅝	+1/16
Nat Ptnt		2	322	3½	3⅜	3½	+⅛
New Line		19	145	11	10⅞	10⅞	–⅛
NY TimesA	0.56	32	1048	28⅛	27⅞	27⅞	–⅛
NthCanOil	0.17	85	14	12⅞	12⅞	12⅞	–⅛
Numac O&G		2	20	4⅛	4	4	
NV Ryan		0	18	⅛	½	⅜	
Odetics A		32	28	5⅛	d5⅛	5⅛	
Oisten x	0.32	26	66	29⅜	29⅛	29⅜	–⅛
OMI Corp	0.14	7	z0	6	d0	6⅜	
Pall Corp	0.26	27	1031	26⅞	26⅛	26½	+⅛
Pegasus G	0.10	33	1685	15⅛	14⅞	15⅛	+⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pennl	0.60	21	26	11⅞	11½	11⅝	+⅛
Pet H&P	1.14	13	45	16	16	16	
Phil LD	0.21	15	701	40⅛	39⅝	39⅞	–⅛
Pittway A	1.10	15	14	31	30⅝	30⅞	–⅛
Ply Gem x	0.12	21	5	10⅛	10	10	–⅛
PMC	0.68	15	13	10¼	10⅛	10⅛	–⅛
PresidioA	0.10	1	26	1⅞	1⅞	1⅞	+⅛
Price Com		0	5	1/16	d1/16	1/16	+1/16
[illegible]							
SbtoUnion		43	55	14⅞	14½	14⅞	+⅛
Smart Et		11	13	3¼	3¼	3¼	
TIE Ind		2	10	1⅛	1⅛	1⅛	
Tab Prods x	0.40	38	13	10	10	10	–⅛
Tel&Data	0.32	46	321	35⅛	35	35½	
Thermedics		120	21	7⅛	7	7⅛	
Thermotrx		24	6	25⅛	25⅛	25⅛	–⅛
Total Pet	0.40	18	270	7½	7⅜	7½	+⅛
TownCntry		0	86	1½	1⅜	1½	+⅛
Tubos Mex		22	177	5¾	5⅝	5⅝	
UtdFoodsA		3	51	1⅝	1½	1½	
UtdFoodsB		5	10	1⅝	1⅝	1⅜	+⅛
UnivPtnts		36	47	11⅛	10⅝	10⅞	–⅛
US Cellul		93	479	19⅝	19½	19⅝	+⅛
Viragen		47	127	13⅛	12¾	12¾	–⅛
WangLab C		0	60	1⅞	1⅝	1⅜	+⅛
WangLab B		0	52138	⅜	⅜	⅜	+1/16
Weatherfd		16	506	6⅜	6¼	6⅜	+⅛
Westamer	0.52	9	10	19⅞	19¾	19⅞	+⅛
WIRET	1.12	17	45	13	12⅞	13	
Worthen	0.10	9	28	21¾	21⅝	21½	+⅛
Xytronx		7	30	8	7⅞	7¾	–⅛

NASDAQ NATIONAL MARKET

4:00 pm prices August 21

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

MONDAY INTERVIEW

The broad mind of travel

Martin Brackenbury, president of the International Federation of Tour Operators, talks to **Michael Skapinker**

In David Lodge's novel Paradise News, an anthropologist called Roger Sheldrake argues that the package holiday is the modern-day equivalent of the religious pilgrimage, that guide books are devotional aids, and that a dip in the hotel pool is a form of baptism.

"Tourism is the new world religion," Sheldrake tells a fellow-tripper to Hawaii. "Catholics, Protestants, Hindus, Moslems, Buddhists, atheists – the one thing they have in common is they all believe in the importance of seeing the Parthenon, or the Sistine Chapel, or the Eiffel Tower."

Modern tourism's gigantic migrations preoccupy Martin Brackenbury too. There are currently about 360m people travelling abroad on holiday every year. In the next 10 years, he says, that figure could double.

Brackenbury is one of the tourist industry's most senior figures, with as many titles as there are delayed departures from Gatwick airport.

He is president of the International Federation of Tour Operators (Ifto), which represents travel companies in 17 countries; chairman of the Tour Operators' Study Group (TOSG), the big UK holiday companies' oddly named trade body; chairman of the TOSG's trust fund, which brings tourists home when companies fail; a member of the national council of the Association of British Travel Agents; and a director of Thomson, Britain's biggest travel group.

He is also, like the fictional Roger Sheldrake, a trained anthropologist, having studied the subject at Cambridge. But he does not think much of the idea that tourism's growth is linked to organised religion's decline. People travel, he says, when they have money and political freedom.

"If you have growth in discretionary income, the propensity to travel doesn't grow in a linear fashion, but in an exponential one," he says.

As to political freedom, 600,000 people travelled to the west from Czechoslovakia in 1989. The following year, after the collapse of communism, the figure rose to 8.1m. Many east Europeans do not now have the money to travel, but when they do they will join millions of other new tourists.

"The eastern Europeans will travel south, to the cheaper areas of the Mediterranean, to parts of Greece. In Japan and the Pacific Basin there are more people who will want to travel. And then there are lots of people who until now haven't even considered travelling: Chinese, Indians."

Given the profit these new tourists could offer to the company Brackenbury helps run and to the others he represents, he is curiously ambivalent about the prospect. On the one hand, he says, "the underlying idea that people should have the ability to travel must be a blow for freedom".

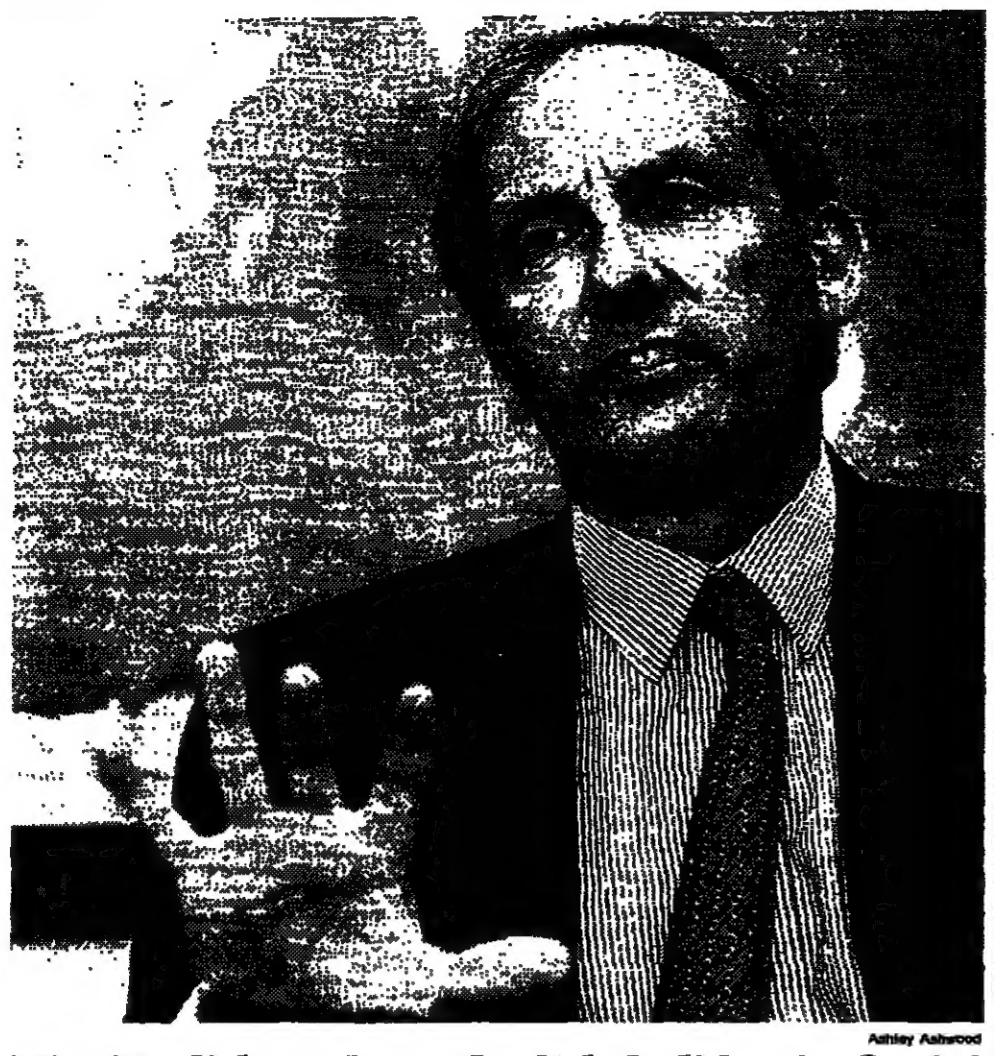
On the other hand, "too many people gathered together ruin a place. Some of the eastern coastal resorts of Italy have become overdeveloped, anonymous, and have lost whatever character they had."

Roger Sheldrake's solution is to end tourism by pointing out to the holidaymakers how miserable they are. "Look deep into their eyes," Lodge has him say, "and you will see anxiety and dread."

Brackenbury agrees that holidays are stressful. "There's a much higher level of anxiety when people go away. They're not only going to a place which is unfamiliar, through which they somehow have to shepherd their children. They're also with their partner 24 hours a day for two weeks. That comes as quite a shock."

In the strangeness of the holiday environment, tourists cling to the familiar. "Tourism, in the main, is about people making migrations in very large numbers for very short periods of time. So when they are taking a holiday away from Germany and going to Majorca, they're seeking a German holiday in Majorca. Equally, the English are seeking an English holiday in Spain, not a Spanish holiday – largely because it's such a short time."

The current trend away from hotel holidays to self-catering apartments and villas does not imply greater confidence in dealing with foreign cultures, Brackenbury says. People simply like the flexibility of self-catering. Buying your own food does not require much contact with local people. Many self-catering complexes have restaurants and supermarkets on site, which sell what English or German visitors want to buy.



Ashley Ashwood

'The English seek an English holiday in Spain'

If the tourists want what they have at home, why don't they stay there? "Part of it is habit," Brackenbury says. "You've got a holiday and you ought to go away. If you stay at home, you end up doing odd jobs and watching television.

"People see that by going away, they are enhancing their world in some way. They are looking, in general, for new experiences." But new experiences that are unthreatening? "Yes, in a rather controlled environment."

PERSONAL FILE

- **1943** Born Dorset. Educated Magdalene College, Cambridge.
- **1976** Senior partner, Urwick Orr and Partners, management consultants.
- **1984** Deputy managing director, Thomson Holidays.
- **1988** Main board director, Thomson Travel Group.
- **1991** President, International Federation of Tour Operators.

Whatever the stresses of being abroad, Thomson's surveys show that people do enjoy their holidays, Brackenbury says. He rejects the view that the foreign holiday has gone out of fashion. The reported fall in European tourism this year is purely the result of economic hard times, he insists.

The problems caused by tourism cannot be solved by reducing the number of tourists because people are not going to stop taking holidays. "Try denying them the opportunity," Brackenbury says. "People, in general, feel the better for the experience. It's revitalising in some way. People find that by taking holidays they get a different perspective on their own activities. Most people are so involved in what they do day-to-day that they don't take time to step back."

What the tourist industry has started to do is think about how to preserve the environment and ambience of its resorts, Brackenbury says. The Majorcan seaside town of Magaluf degenerated to the point where families were staying away. It has had some success in winning them back by improving facilities and curbing the owners of nightspots.

In the past, the tourist industry developed its Magalufs and, when they became too down-market, moved on to Greece, Turkey, Africa or the Caribbean. "They could do that in the 1970s, and to some extent during the 1980s. But talking to my colleagues in Ifto, they no longer believe that is possible. The reason for that is there is nowhere else to move on to," Brackenbury says.

"That means that the places they've got, which they've invested an awful lot of time developing, are the ones that they're going to have to stick with if they're going to have a business for the future. That lies at the centre of their concern with environmental issues. It's nothing to do with altruism and long-term views on the planet. The only way we can make this business work is if people are satisfied when they get there. It's entirely to do with self-interest."

Beyond such pragmatism, Brackenbury the anthropologist must surely have some views on people's peculiar practice of leaving their home to spend two weeks in a country where they do not speak the language and mistrust the food. If it does not resemble the religious rituals of previous ages, what does it resemble?

Somewhat reluctantly, Brackenbury ventures a guess. "In simple societies, you don't have any clear examples of what you would call leisure. But you do have examples of celebration. They usually involve sacrifice of some sort or initiation ceremonies, and people have high degrees of anxiety about that. But they come out at the other side feeling part of something bigger and somehow enhanced as individuals. And then they have a big celebration and they collectively feel better. It seems to me that there are certain analogies with that in taking a holiday."

The Emperor has no plan

MICHAEL PROWSE on America

The Republican conference was like a performance of Hamlet without the Prince. The delegates, living in a fantasy land of their own, simply refused to acknowledge the brooding presence of an enfeebled economy. Outside the Astrodome everybody was complaining about the lack of growth and jobs. Inside, the economy was barely mentioned; the talk was of glorious foreign policy triumphs, the threat from "deviant" lifestyles and the evils of abortion.

In an outpouring of vitriol, Governor Bill Clinton was caricatured as a skirt-chasing, pot-smoking, draft-dodging proponent of gay and lesbian rights. President George Bush plunged in the final dagger claiming (falsely) that Mr Clinton was anti-enterprise, would raise taxes on anybody with a job, and favoured huge increases in federal bureaucracy. Some overnight polls showed a surge in Mr Bush's support, although whether such crude Clinton-bashing will provide lasting benefits is uncertain.

As Houston fades from memory, the economy must reappear as the crucial issue: there is still no sign of the vigorous recovery the White House first predicted 18 months ago. And it was ironic that as Mr Bush put final touches on a speech celebrating US strength, the dollar – which nobody in political circles ever ever mentions – was plunging toward a new post-second world war low against the D-mark. Even if Mr Bush escapes a full-blown dollar crisis, he may pay dearly for the off-hand vacuity of his economic proposals. Voters will surely not be impressed by his offer of a tax cut balanced by new spending curbs, when not even a dime of those savings was specified.

And the touted "big idea" – that taxpayers should be able to earmark up to 10 per cent of their taxes for debt reduction – hardly survives scrutiny. The intention is that spending would be cut each time a taxpayer ticked the debt reduction box. If the plan were feasible it would be unpleasant; in effect rich individuals would be able to veto programmes for the poor. But since a Democratic Congress would never approve so arbitrary a form of spending control, Mr Bush's plan would be no more than an irrelevant accounting gesture, with money moving harmlessly from one pocket to another.

So where do the candidates stand on economic policy after the two party conventions?

Mr Clinton has been attacked for claiming he would "halve the deficit" while substantially raising spending on infrastructure and education. This may sound as implausible as former president Ronald Reagan's promise to balance the budget while cutting taxes.

The point is this. The Clinton team is not proposing policy changes that will halve the deficit (how could they when their tax and spending proposals roughly balance?). All they are saying is that their policies will not prevent the decline in the deficit projected by nearly all forecasters as the economy moves out of recession and as distortions (such as the savings and loan bailout) fade.

I suspect Mr Clinton will prove more fiscally conservative than Mr Bush. However, it would be suicidal to be more explicit in a campaign. It was probably a mistake even to promise higher taxes on the top 2 per cent.)

In judging the Bush and Clinton plans it is far more important to understand the very real philosophical differences. In his offhand way, Mr Bush is advocating a continuation of Mr Reagan's supply-side doctrines. Cuts in income and (especially) capital taxes are seen as way of stimulating growth by encouraging affluent Americans to save and invest. The problem is that huge cuts in tax rates in the 1980s did not raise savings, investment or productivity growth.

Mr Clinton is also offering a supply-side strategy, fathered by Mr Robert Reich of Harvard University. It works rather differently. The premise is that in a world of mobile physical and financial capital, government can best promote higher living standards by focusing on factors of production that are relatively fixed.

The two factors that cannot move at all easily are people and infrastructure. By advocating higher investment in education and training, the Clinton team hopes directly to increase the productivity of American workers, thus raising the wages they can earn in competitive markets. By investing in public infrastructure, the team hopes directly to increase the return that private entrepreneurs (of whatever nationality) can earn by locating plant and equipment in the US.

The Clinton plan is a step in uncharted waters. But plenty of academic research suggests it could work. The economic return to extra years of education has steadily risen, suggesting that that this is the most potent investment now available. The link between the profitability of private business and the quality of public infrastructure (be it canals, roads or fibre optics) is long established.

Mr Clinton's modest proposals for channelling an extra $200bn into education, training and infrastructure over four years will not transform American productivity. But it is a reasoned response to the challenge posed by global economic competition that should appeal to the millions of middle-income Americans who have seen their wages stagnate for a decade. It is certainly more innovative than anything Mr Bush has proposed.

The perils of private life

JUSTINIAN

Amid the welter of public discussion over the stealthily photographed indiscretions of the Duchess of York spattered across the pages of the tabloid newspapers last week, little attention has been paid to the inactivity of the law.

That is because in this country there is no legally enforceable right to privacy. This was demonstrated all too clearly by the dismissal by Mr Justice Latham of the 11th-hour application by Mr John Bryant, the Duchess's adviser and companion, for an injunction against the Daily Mirror, which proceeded to publish the photos.

But supposing there were to be a new tort (a civil wrong) for the invasion of an individual's private life. Would it, as it is widely claimed, inhibit investigative journalism and prevent publication of matters which are newsworthy or of legitimate concern to the public?

It is important at the outset to distinguish between the methods used by journalists to acquire information and take photographs, and the decisions of editors to publish. The Calcutt Committee on Privacy and Related Matters in 1990 accepted that private lives should be protected from public exposure. The committee proposed that three forms of journalistic trespass should be made criminal. The government has not said whether it accepts or rejects these proposals.

However, Calcutt stopped short of endorsing the claims for a civil remedy. Its proposals failed to discern that invasion of privacy goes beyond what objectively appears to be physical invasion. Publication of private matters is the cause of the hurt and harm to individuals. Preventing journalists' investigations may not in practice be easy, or even desirable. Publication, however, can be more readily visited by a pre-emptive legal strike – namely the injunction.

There's the rub. If those whose private lives are threatened with exposure could readily invoke the mighty protection of the law courts, the danger to press freedom would indeed be great. But the courts' approach to the prevention of defamatory publications indicates that a privacy law would give no such encouragement to prospective plaintiffs. The media have a right to publish libellous material, of course always at the risk that they may have to pay damages – sometimes inordinately large sums of money – if they cannot subsequently justify what has been published.

The courts have said time and time again that they will not stop publication of defamatory statements in any case where the person who wants to publish is prepared to defend what he has published in any court action. Threats by angry clients and their solicitors to stop the presses rolling with last-minute dashes to the High Court are largely bluff.

It is worth recalling Lord Denning's remarks in a case in 1969: "The court will not restrain the publication of an article, even though it is defamatory, when the defendant says he intends to justify it or to make fair comment on a matter of public interest. The reason sometimes given is that the defences of justification and fair comment are for the jury. But a better reason is the importance in the public interest that the truth should out. The right of free speech is one which it is for the public interest that individuals should possess, and, indeed, that they should exercise without impediment, so long as no wrongful act is done. There is no wrong done if it is true, or if it is fair comment on the matter of public interest. The court will not prejudice the issue by granting an injunction in advance of publication."

In like fashion the courts would retort to any action brought on the grounds of an invasion of privacy. The mere raising of the defence of public interest would instantly stifle any injunction pending the trial. English courts do not generally countenance prior restraint any more than do their American counterparts employing the first amendment to the US constitution guaranteeing freedom of the press.

The newspaper that publishes the activities of public figures or politicians would thus hardly be deterred from publishing anything that it wished, save for the long-term potential of having to fight a case for damages in the courts. But that is precisely what every editor has to consider when judging the risk of a libel action for something he wishes to publish.

Too much of the debate on privacy is focusing on the extent to which private lives of public figures are fair game. While the public figure issue is of great significance, the threshold decision, whether society should accord legal protection to the private lives of all its citizens, needs to be made before discussing any differing standards for those who choose to be engaged in public affairs.

Over 100 years ago two distinguished Americans wrote the most influential law review article ever written in the English language on any subject. It led to privacy laws being introduced in every jurisdiction of the US. Samuel Warren and Louis Brandeis (later to become a Supreme Court justice) wrote in 1890: "The intensity and complexity of life, attendant upon advancing civilisation, have rendered necessary some retreat from the world, and man, under the refining influence of culture, has become more sensitive to publicity, so that solitude and privacy have become more essential to the individual; but modern enterprise and invention have, through invasion upon his privacy, subjected him to mental pain and distress, far greater than could be inflicted by mere bodily injury."

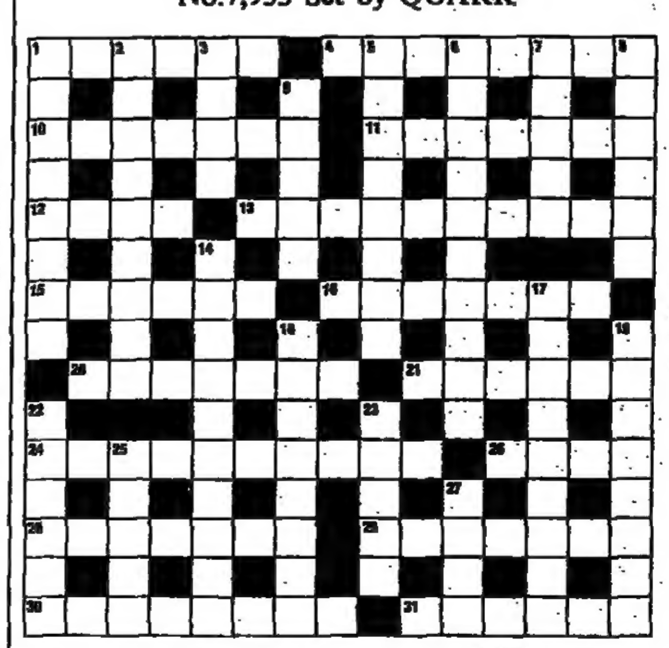
Those words are apposite in modern Britain.

Louis Blom-Cooper QC

JOTTER PAD

CROSSWORD

No.7,933 Set by QUARK



ACROSS

1 Ship's officer sure to be involved in public relations (6)
4 Inadequate way to quote returns (8)
10 Old instrument about to fall short produces hostile feeling (7)
11 Pool resources? (7)
12 The most important state, they say (4)
13 The colourful beauty of London? (10)
15 Vino upset church's probationary member (6)
16 It needs to be proved as a rule (7)
20 Wicked RA set on disloyalty (7)
21 Neat traveller encounters tramp coming back (6)
24 University performance a failure – batting rough (10)
26 Fashion model (4)
28 I'm opposing the move (7)
29 The limits of even the brighter ministers (7)
30 A time in place of worship forming a pattern (8)
31 Special delivery? (6)

DOWN

1 and 22 One working at a lower level, however talented (8,6)
2 One that rescued a dog (9)
3 Give out in the M1 (third lane) (4)
5 The way to travel in Germany (6)
6 Certain curves confused player? Bosh! (10)
7 Savour experience? (5)
8 and 19 LBWs? I catch more playing near Birmingham (6,8)
9 Fold left in decomposed vegetable matter (5)
14 Row with copper, say, likely to be heated (5,5)
17 Initially, he's for it (9)
18 Puffed out, but could be at the head (8)
19 See 8 down
22 See 1 down
23 View the boats I've photographed coming up (5)
25 A little sparkle? The French mag could produce it (5)
27 Travelling bag? Don't lose it! (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday September 5.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 21/08/92: Pool purchase price £/MWh	Final Prices for Trading on 20/8/92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	19.86	19.23	20.66
0100	19.13	19.11	20.58
0130	19.13	19.11	20.59
0200	19.13	19.11	20.60
0230	19.13	19.11	20.61
0300	17.70	28.05	29.92
0330	17.70	28.05	29.85
0400	17.69	28.05	29.86
0430	17.69	28.05	29.86
0500	17.68	28.05	29.86
0530	17.70	19.38	20.96
0600	17.70	19.38	20.96
0630	17.70	19.38	20.96
0700	17.70	19.38	20.95
0730	19.86	19.38	20.93
0800	19.83	21.73	23.35
0830	20.57	21.73	23.29
0900	20.07	21.73	23.25
0930	21.47	21.73	23.24
1000	22.12	21.73	23.23
1030	21.75	22.11	23.61
1100	23.78	24.32	25.90
1130	23.78	23.33	24.88
1200	28.01	26.19	27.80
1230	28.01	26.37	27.97
1300	28.01	26.37	27.96
1330	23.08	24.96	26.67
1400	21.75	22.11	23.63
1430	21.75	20.27	21.72
1500	21.75	20.27	21.73
1530	17.76	20.27	21.73
1600	17.71	20.08	21.54
1630	17.75	20.08	21.54
1700	20.51	20.08	21.54
1730	21.75	20.08	21.54
1800	21.75	20.08	21.54
1830	21.75	20.27	21.73
1900	21.75	20.27	21.72
1930	21.75	20.27	21.72
2000	21.75	23.45	25.03
2030	22.84	17.70	17.70
2100	28.01	23.45	25.02
2130	28.01	27.70	29.51
2200	28.01	31.06	32.86
2230	28.01	31.09	32.85
2300	22.80	22.00	22.00
2330	22.10	17.78	17.78
2400	17.86	17.76	17.76

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are [illegible]

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 24/08/92: Pool purchase price £/MWh	Final Prices for Trading on 21/8/92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.86	17.76	17.76
0100	17.86	17.76	17.76
0130	17.86	17.76	17.76
0200	17.86	17.76	17.76
0230	[illegible]	[illegible]	[illegible]
0300	[illegible]	[illegible]	[illegible]
0330	[illegible]	[illegible]	[illegible]
0400	[illegible]	[illegible]	[illegible]
0430	[illegible]	[illegible]	[illegible]
0500	[illegible]	[illegible]	[illegible]
0530	[illegible]	[illegible]	[illegible]
0600	[illegible]	[illegible]	[illegible]
0630	[illegible]	[illegible]	[illegible]
0700	[illegible]	[illegible]	[illegible]
0730	[illegible]	[illegible]	[illegible]
0800	[illegible]	[illegible]	[illegible]
0830	[illegible]	[illegible]	[illegible]
0900	[illegible]	[illegible]	[illegible]
0930	[illegible]	[illegible]	[illegible]
1000	[illegible]	[illegible]	[illegible]
1030	[illegible]	[illegible]	[illegible]
1100	[illegible]	[illegible]	[illegible]
1130	[illegible]	[illegible]	[illegible]
1200	[illegible]	[illegible]	[illegible]
1230	[illegible]	[illegible]	[illegible]
1300	[illegible]	[illegible]	[illegible]
1330	[illegible]	[illegible]	[illegible]
1400	[illegible]	[illegible]	[illegible]
1430	[illegible]	[illegible]	[illegible]
1500	[illegible]	[illegible]	[illegible]
1530	[illegible]	[illegible]	[illegible]
1600	[illegible]	[illegible]	[illegible]
1630	[illegible]	[illegible]	[illegible]
1700	[illegible]	[illegible]	[illegible]
1730	[illegible]	[illegible]	[illegible]
1800	[illegible]	[illegible]	[illegible]
1830	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]
1930	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]
2030	[illegible]	[illegible]	[illegible]
2100	[illegible]	[illegible]	[illegible]
2130	[illegible]	[illegible]	[illegible]
2200	[illegible]	[illegible]	[illegible]
2230	[illegible]	[illegible]	[illegible]
2300	[illegible]	[illegible]	[illegible]
2330	[illegible]	[illegible]	[illegible]
2400	[illegible]	[illegible]	[illegible]

[illegible]

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